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# THE LIFE OF
# JAMES J. HILL
## VOLUME
## I

**JAMES J. HILL**
At about 35 years of age

# THE LIFE OF JAMES J. HILL

BY

JOSEPH GILPIN PYLE

AUTHORIZED

ILLUSTRATED

VOLUME

I

GARDEN CITY NEW YORK

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## PASSWORD

"Make it plain and simple and true."

This was the instruction, and the only one, given by James J. Hill to the writer of these volumes. They are an endeavour to realize that ideal and to fulfill that trust.



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## AUTHOR'S NOTE

The principal and richest source of material for this work was the letters, papers, and other documents of Mr. James J. Hill, placed at my disposal by him during his lifetime for this purpose; his answers to my questions, and his conversations with me, at different times during the ten years prior to his death, about the various phases of his work and his thought.

I wish to acknowledge also with gratitude the valuable assistance I have received from others, both before and since that date. The members of Mr. Hill's family, many of his old friends, later associates, and co-workers have been generous in their contributions of fact. Since in only a few cases was it practicable to give personal credit in immediate connection with the information they supplied so willingly, I take occasion here to thank them all for invaluable aid in setting forth clearly and accurately the facts and the meaning of Mr. Hill's life.

Greatest and deepest of all is the debt I owe in the production of this book to her whose sympathy and understanding have been to me continuing strength and inspiration, my wife.

J. G. P.

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## CHAPTER ONE

### LIFE'S BEGINNINGS

THE forerunners of James J. Hill were of that sturdy stock, close to the soil and bound by life's homely duties, on which from time to time genius flowers. There was among them no prophecy or hint of coming greatness. But in their veins was the blood of the Celt, which flows naturally toward greatness because, for it, all things are possible. The imagination, the fervour, above all the insight into the future through perceptions raised to an almost uncanny power that gave form to his life plan and coherence to his work are a part of the dower of race. Apparently they were this boy's sole inheritance of distinction.

Forty miles west of Toronto lies the little village of Rockwood, containing to-day a population of perhaps a thousand people. It is in the township of Eramosa, to which came, from Ireland, in the early part of the last century, the Hills and the Dunbars. Mr. Hill's grandfather was James Hill, of Mar's Hill, Blackwater River, Armagh, Ireland. His grandmother was Mary Riggs of Newry, in County Down. They migrated to Canada in 1829, coming out to the brother-in-law of Mr. James Hill, a Colonel John Riggs, who lived on the shore of

Lake Ontario, an officer who had served with distinction in the English army. Another uncle of James J. Hill was Admiral Warren Riggs, who was killed in a battle off the coast of Ceylon. A third was an Episcopal clergyman in Armagh. All told, there were four boys and four girls in the family of Mr. James Hill, of whom James Hill, the father of James J. and the second oldest boy, was born August 1, 1811.

The father was one of the earliest occupants of what were known as the Canada Company's lands. He had settled with his family on a section of land near Guelph, in what was subsequently the county of Wellington. From him his grandson inherited some marked physical and mental characteristics. Those who knew him speak admiringly of his tremendous force of character. He had the powerful voice, the constitution of steel, and the will of adamant that reappeared in the second generation. He was especially distinguished for love of hospitality and hatred of any form of injustice. Of his wife, those who remember her sum up everything good that can be written of any one in calling her a Christian gentlewoman.

The Dunbars, the family of James J. Hill's mother, were originally from Scotland. The Dulmages, or Delmage as it is sometimes spelled, from whom they descended, had landed on the west coast of Ireland in the seventeenth century, and, later on, were induced with encouragement from the Government, to

start a woollen factory at Templemore. There the Dunbars, five brothers and two sisters, grew up and all of them came later to Canada. Anne Dunbar left Templemore, in Tipperary, and came with the others to the new western country in 1832.

Among the children of the two families thus transplanted to new soil ready to receive the longing and the hope of that distracted fatherland across the sea, were these two, James Hill and Anne Dunbar, man and maid, just strong, simple, wholesome people, such as the Old World gave to the New in that generation. They were neighbours; and acquaintanceship ripening rapidly into a deeper feeling, they were married at Eramosa, Ontario, in 1833. Both had been reared on farms; and upon fifty acres of land, within two miles of Rockwood, James Hill and his wife settled down to the common life of the people of the frontier.

The two families were poor and the conditions of life were those familiar to all America, outside of a few large cities, in that era. The young couple lived in a log house which was put up by the husband right in the bush, as they called the forest land. He split the shingles for it, and tilled the soil for a living. His wife often said later that the happiest day of her life was when the last tree that could reach as far as the old log house, if it fell, had been cut down; then she felt safe.

Here were born, in the little log house, the four children, of whom James Jerome Hill was the third.

A boy born earlier and also called James had died, and the tradition that the oldest son should always be so named held good. His sister, Mary Eliza, the oldest child, was born on Christmas Day, 1835, and died June 25, 1905. She married John Brooks, a neighbouring farmer, and had thirteen children. The youngest of the three, A. S. D. Hill, was born September 6, 1839. He married Emma Day and had four sons, of whom three grew to manhood. Mr. A. S. D. Hill lived on the old farm until he was of age, when it was sold. He taught for twenty-five years in the schools of Rockwood and neighbouring places, but the pull of the land was always strong and he eventually settled back into the congenial life of the farm. He farmed five hundred acres of land; a strong, active man, interested in life and bearing a decided physical resemblance to his brother. To his remarkable memory many of the details of their early family life given here are due.

In 1848 the Hill family moved to Rockwood and kept a small hotel until the death of the father. James Hill died December 25, 1852, and his wife survived him until December 18, 1876. After her husband's death she removed, with her children, to the town of Guelph and lived there until she died. James J. Hill's father was industrious, plodding, a type of the millions who have subdued a continent, content to live laborious, unmarked days and to die unknown. His mother was of strong character and intense tempera-

ment, but with the limited outlook and unawakened ambitions that marked the earliest pioneers. James J. Hill inherited from her, whom he most resembled, many of his striking qualities. The necessities of life were paramount; and to have won a vantage ground from the wilderness and opened wider possibilities to the children took the place of those larger but, perhaps, not worthier conquests shaped by the ideals of a later age. Quiet, competent, undistinguished, useful people, they understood themselves and the world better than most, and found the best gift of life in harmony between their outward lot and the individual quality and the individual limitations.

Upper Canada was different in no essential at that time from western New York and northern Ohio. The environment was the same that furnished sustenance and stimulus to a generation which left an indelible mark upon the history of this country. Life, though strenuous in the old sense, a constant struggle to wrest from nature the simple living which was the time's measure of prosperity, was uncomplicated. The new industrial era was not yet born. The railroad itself was a novelty only a little more substantially practical than the airship is to-day. The soil was the universal resource for industry. The family was the social unit, impaired only when some adventurous spirit broke the ranks, leaving doubt of mind and quaking of heart behind him. And the family life itself was as patriarchal

as it had been in rural England or Ireland for centuries. The farm supplied most of the necessaries of life; a few came from the village store; and the local shoemaker and tailor made their periodical rounds, took measures, and furnished the remainder. Children grew up with strong bodies, clear faces, steady nerves, and minds sensitive to new experiences.

There was nothing to create or rouse ambition. About were homely surroundings, hill and valley, farm fields and woodlands, with the village as the only opening to larger vistas. With its single straggling street it is to-day little different from what it was seventy years ago. But then the outer spaces were more distant, the silences more profound. The weekly newspaper was still a luxury. The rumble of the world, so different even at its intensest centre from the roaring activity of to-day, did not penetrate country fastnesses. Life was quiet, ruminant, without initiative. Futile aspirations were not drawn out as they are now by the existence of a world atmosphere through which throb constantly the vibrations of a general consciousness and a vivid common life. But, on the other hand, actual genius of any type must be sensitive indeed to hear its call through all the mufflings of circumstance.

In that day children grew like other products of nature, and one forced his way into the thick of events only as the lord of the forest overtops his fellows: by virtue of that mysterious natural selection which gives

to one seed germ rather than to another its potency of surpassing vigour and capacity for growth. James J. Hill, the second child of these parents, was born into this environment September 16, 1838. He was not notably precocious but, from his earliest days, exhibited one tendency that persisted in the man to the end of his life and was one source of his wonderful fund of information. He was desperately fond of reading. Although bright and active and ready for sport, books drew him more strongly than play. He started to school at five years of age. The journey of two and a half miles through the bush to the district schoolhouse was nothing to a child of that time in that part of the country. The settlement was largely comprised of members of the Society of Friends, commonly called Quakers, and his first schoolmaster was an old man, John Harris, a Quaker born in Cork, Ireland.

James Hill was a well-to-do man, according to the standards of his time. This meant that by constant labour his farm could be made to give to his family all the comforts considered essential in that day, and to his children such education as the community had to offer. In scope this was meagre; in quality, admirable as compared with the more pretentious but less thorough instruction of our own time. The little boy in whom none remarked unusual precocity or promise had grown to school age, and the question of education became practical. Any old school register tells the story of country

school life in Canada sixty years ago. It differed little from that familiar to the generation of Americans now past the prime of life. The day's work began with reading from the Bible, and there was a distinct though indirect religious influence, in all the teaching done. School work was held secondary to the real business of life, which was to help in the duties of the farm and home. A bad storm, the rise of sweet sap in the maples in spring, any one of a score of such events as mark the calendar of the rural year, put the school in the background and impeded its work. Only elementary subjects, as a rule, were pursued. Many parents objected to teaching the elements of Latin, then almost universally regarded as the foundation for all higher mental development. As many scoffed at English grammar as a useless refinement. The school was a sternly practical affair, constituted for practical uses. The average salary of the teacher was £55 per year; and for this sum, insignificant even in those days, the community must usually take its choice between some upstart youngster, using his little stock of knowledge as a ladder to lift him to the academy and the college, and the incapacitated clergyman or unsuccessful adventurer in business or one of the professions. Hundreds of country schoolhouses gave over tens of thousands of children to such inspiration as failure has to offer.

James Hill sought something more than an ordinary education for his oldest boy. It was one of the first

characteristic notes of both father and son. This determination, so common in our time, was comparatively rare in farthest Canada in the 'forties. It existed only where there was a special quality both in the old generation and in the new. Most men of limited education held firmly that what was good enough for them was good enough for those who came after them; and that the higher education was, when not positively dangerous, a waste of time and money. Most children were only too eager to get away from the atmosphere of the schoolroom altogether, and to rebel against or misuse the larger opportunity. The fact that young Hill was from the very beginning an exception to this rule is proof of the existence and appearance in him already at this tender age of unusual qualities of mind—quick perception, instant absorption of elementary knowledge and thirst for more; and in his parents of an appreciation which, however far it may and must have been from any prevision of the development and grasp of this young mind, was at least a sufficient consciousness of its divergence from the average. It was something worth care and cultivation. It merited transplanting into a richer soil than that of the ordinary village school. To such a district school James J. Hill went until he was eleven years of age. Then occurred the first critically decisive event in his life. The circumstances of the father and the eager mind of the son made fitting a larger educational outlook. The opportunity for it came in the

institution of a private school, Rockwood Academy, to which the boy was transferred. This school was started by William Wetherald, a Quaker, and supremely fortunate was the relation established between him and his new pupil. Most men who have made their mark in the world can trace their mental awakening to the touch of some understanding mind in earliest youth. This office William Wetherald performed for James J. Hill; and the relation thus formed was so close and fine that death alone could impair it.

Wetherald was an Englishman of good birth, with Quaker ancestry and a college education. Such men, three quarters of a century ago, were to be found in charge of the academies which then furnished nearly all higher education. The public school system as we know it to-day had no existence. Colleges were few and small, the American university a rare and feeble growth. Every boy ambitious to learn looked to the academy for education. And these institutions, often more complete in their methods and more admirable in their adaptation of work to the bent of the individual student than the secondary schools of our time, were everywhere. The relation between teacher and pupil was personal. The sacrifices necessary before a child in a community where all were poor could enjoy these advantages made them a coveted privilege, instead of a hated burden or a mere conventional social veneer. Boys worked hard and studied

hard, and must give evidence of sound mental stuff besides, before they could aspire to the academy. And the teacher in charge, called "Professor" only by those who aped the fine jargon of a more artificial society, conceived himself called to the noblest mission and honoured by the highest responsibility given to men. Such were the fitting-schools where young men and women of that generation, sometimes in coeducation but mostly apart, were prepared for the function of independent thought and the trade of useful and noble living.

During his formative time, the period of burning, indestructible impressions, of mental fluidity joined with dawning fixity of intellectual purpose, James J. Hill was under the influence of this remarkable man, William Wetherald. Starting with a few pupils who were ambitious of something better than the district school could offer, Wetherald soon found the number growing as his reputation as an instructor spread. So Rockwood Academy was founded, and there the mind and spirit that were to compass a work so mighty were forged and tempered by a master hand. Probably no other human being, down to the time when he became the centre of a family of his own, not parents or friends or associates, understood this boy as did his Quaker schoolmaster. And his capacity for helpfulness was freely exercised and never forgotten. Under this direction the boy pursued the ordinary English studies with Latin, a very little Greek, algebra, and the beginning of geometry.

At that time, in addition to the elementary studies of reading, writing, geography, and grammar, the entire essentials of a good education were acquaintance with mathematics and the classics; but the material to work with was always secondary, the first requirement was thoroughness. The mind was treated as an implement; like the hand which, when trained to the limit in suppleness and muscular control, would be fit for anything because it had been made fit for all. Mental discipline, not mental craftsmanship, was the ideal. As a "system" this educational method would seem to-day poverty stricken and incomplete. As a method of assuring the best possible intellectual product it has never been surpassed. Under it James J. Hill spent four busy, happy years at Rockwood Academy. He was quick to learn and incessant in application. At fourteen years of age his formal education was finally broken off. After that time his only schooling was to be contact with the world; but through all his after life his powerful mind moved in the grooves then appointed for it, and wrought upon its new material with all that these years had given to it of precision and of power.

Another influence was at work during this period—the magic touch of character upon character. In the attraction of opposites or some like obscure law may possibly be found the explanation of the extraordinary impression that the Quaker system makes upon the mind of youth. This gray creed of soberness in act

and quietism in thought does not hold the restless years in leash. Boy and girl rush into livelier, less rigidly governed living, as the sparks fly upward. But its effects persist. No other training, not even that of the convent, fixes more firmly the mould that gives character its final shape. William Wetherald was a man of an incorruptible rightness of spirit. He chose deliberately what seemed to him the best things, without regard to the world's valuation. We are fashioned so largely by our standards that this example of plain living and high thinking in the master had more permanent effect than any rule of discipline or all the lore of books.

Thirty years after this discipleship James J. Hill, then firmly seated in control of what he was to make the greatest enterprise of his day, and busied with a thousand cares, addressed William Wetherald at his home in St. Catherine's as "My Dear Old Master." In the height of his prosperity he begged his old teacher to pay him a visit. "I have a nice little family of children and my good wife will be more than happy to have you as our guest. I have looked forward for some years to a time when I could have you pay us a visit and renew some of the days that were spent so pleasantly under your care. Again let nothing prevent your coming to visit your old pupil." This from the man of forty-three, to whom all eyes were turned because of the daring masterstroke that had already set him in places of command! It is the tribute of a soul that knows and

rejoices in its obligations. And after this visit had been paid, Wetherald wrote back that he had thought much of the children whom he had seen growing up in the family in St. Paul and of their right education. He photographed himself and disclosed for the world the sort of sway under which the early years of James J. Hill had been passed in this sentence: "Knowledge, after all, is to the teacher only what colours are to the artist; tact, insight, patience, and sympathy are needed in order to give a fitting relation to light and shade and develop a perfect picture." Up to its fourteenth year, a mind singularly virile and a potential activity which had by that time received its strongest directive impulses were committed by providential fortune to this simple, straightforward, and noble soul, who still signs himself in the trembling lines of age, "Thy old friend and teacher."

Meantime the home life was as simple and serene as the growth of mental strength, and social life on the frontier was what it is in any primitive society. Work was the order of the day, but the evenings were free. Occasionally a party of young people would pile into a sleigh, go to some neighbour's house, and dance until midnight. There were the picnics and celebrations which make the events of the year in all rural communities. There was also the life in the open air whenever opportunity offered. The boy was fond of all outdoor sports, but especially of shooting and fishing. At that time he became a fine shot and an expert with the rod;

tastes which were to be strong in him always and to furnish him with intense joy in the few periods of relaxation that he permitted himself in his busy years. His father had always intended that he should be a doctor, and he himself was not averse to that future. But the accidental stroke of an arrow in boyhood deprived him of the sight of one eye. This was as serious an obstacle to the plan as was the death of his father and the consequent interruption of his studies. His parents were both deeply religious people; the father was a Baptist and the mother a Methodist, but the strong faith of both, uniting upon a common basis of essentials, gave the children that broad certainty of a moral and religious order in things which was one in the deepest facts in the mind and heart of Mr. Hill.

His books were few. Nowhere, at that time, outside of cities, were there libraries or access to general reading matter. Few people in the country took a newspaper; few households possessed any other books than some collections of household recipes or common remedies. The Hill home was more fortunate. It made up in quality what was everywhere lacking in quantity. Its literature consisted of the works of Shakespeare, the poems of Burns, a dictionary, and the Bible. After all, a boy who grows up thoroughly familiar with all these is furnished with no mean literary equipment and no doubtful standard of taste. When young Hill was thirteen or fourteen years old he got hold of a Life of

Napoleon. This interested him immensely, and possibly had more or less influence upon his future. Here his already dawning idea, that if a man made up his mind to do a thing it was already half done, was confirmed. And William Wetherald had opened to him the wider field of what was then, and to some great extent still is, the world's best literature.

Responsibility came just at the time when it would be most valuable in strengthening the lines of character, without the distortion that may follow the pressure of crushing circumstance. In 1852 James Hill died; and the event, maturing rapidly a thoughtful boy, altered outwardly the whole aspect of his life. The burden of family care was now shifted to the mother's shoulders; and James J. Hill was not one to bear the thought of a too great sacrifice in that quarter. His purpose was to help; and the hope of a professional life yielded at once to the practical suggestion of the changed situation. He refused to continue at school, though both mother and teacher urged it, at the price of becoming an additional charge upon the household. For the next four years he was employed as clerk in a village store. This was no empty or useless season. The bent of his mind was fixed. Work already acted upon him like a tonic. And at night and on Sundays, in every leisure hour, he read and continued his studies. His wise guide was still near, and he had the advantage of Wetherald's advice and suggestion. But he was now for the first

time measuring his strength a little against the world, and the experience was stimulating.

To this time belongs the interesting recollection of Mr. W. J. McMillan, who was at the time of Mr. Hill's death a conductor on the Great Northern Railway, grown old in the service, the head of the Veteran Employees' Association, and one of Mr. Hill's most devoted men. Mr. McMillan said that he first met Mr. Hill when he was taking a party of guests over the road. The latter addressed him with that unfailing friendliness that he always showed to his men, especially when they had been long with him, and asked him if he had not been a railroad conductor before and where he had worked. "Yes," said Mr. McMillan, "on the Great Western of Canada." "Then," said Mr. Hill, "you must have been in Guelph." Then he asked him if he remembered a little grocery store near the track, and said that was where he earned his first money.

After four weeks' work his Scotch employer, on Saturday night, put his hand on his shoulder and said, "James, ye hae done right weel. If ye keep on, ye'll mak' your way in the world." Then he handed him an envelope. The boy hastened home to give the four dollars it contained, his pay for his first month of hard work, to his mother. "I never felt so rich," he said, "I never expect to feel so rich again in my life, as when I looked at those four dollars and when I handed them over to my mother." Formal education was trans-

formed into a process of severe self-instruction, never to be interrupted even by the demands of such care and responsibility as rarely centre in a single individual. Moral and intellectual manhood were ripening.

Already the early environment had been exhausted; it had contributed to development all that it had to give. Already the eager spirit projected itself afar. The mind of the boy, fed by historical reading, full of Plutarch, saturated with the melody of Lalla Rookh, breathing free air with Byron, creating its own congenial environment, had been drawn to that field which has always fired imagination and with which some of the great projects of the man were to deal—the Orient. Youth built its romance about India; and when young Hill determined to leave home and make for himself a work in the world, it was with the more or less fixed idea in his mind that he would venture to the region where both Alexander and Napoleon had found their lure. At that time any youth whose daring stretched to projects like this turned to the sea as his only highroad; and it was with the idea of shipping as a sailor that James J. Hill began his journey into the unknown. He had saved but little capital to finance his adventure. His earnings had been given gladly to help his mother. The boy of eighteen started out with little other equipment than a sublime faith in himself and his future. He struck southward, but his money gave out when he was near Syracuse, New York. There he obtained tempo-

rary work with a farmer and earned enough to start him again on his way. He went slowly through the state of New York, reached the seacoast, visited Philadelphia and Richmond, but found no suitable opportunity for carrying out his original scheme. In the meantime a more adventurous plan suggested itself to him and was approved as an enlargement of experience and a sustained invitation to opportunity.

In every distinguished life appear movements and events which, looking backward, we call, for want of understanding of the universal scheme, happy accidents that colour all the after years. Such, in the life of James J. Hill, was the trifling circumstance that among his schoolmates at the Rockwood Academy were some boys from the Red River settlement, and one from the far Canadian west, now the Province of Alberta. A visit to them had been talked of; and the suggestion in those days, when the interior of the continent was still as the Stone Age left it, carried romance. Moreover, the visit could be fitted into the general plan. Dissatisfied with the chance of escape into new worlds by the Atlantic seaboard, he recurred to the idea of making the trip across the plains and sailing from the Pacific coast to the Orient. So westward the star of his life led the way.

Comparatively recent as is the date, it requires an effort to recall the meaning of such a journey into such a country in 1856. In 1838, the year when James J. Hill was born, Joseph N. Nicollet, the French as-

tronomer and explorer, with whom was John C. Fremont, had completed his explorations and made the first reliable map of the upper Mississippi country. The Pathfinder was the first Republican candidate for President in the year when this boy's western trip ended; the region he had helped to explore was still the far frontier. Chicago was an outpost of civilization. Beyond that one must make his way to the Mississippi, take steamboat to the head of navigation, and join the Red River brigade of trappers and traders that made trips during the season between the settlement at St. Paul and those about Lake Winnipeg. Thence the way westward across the plains led into vague distances of adventure. Young Hill, full of his scheme, passed through Chicago when the walls of the Massasoit House were rising, and arrived at St. Paul, July 21, 1856, only to find that the last brigade for the Red River had left on July 5. Mr. Hill said in later years: "Major Hatch, whom some of the old settlers will recall, had been appointed agent for the Blackfeet Indians. I came in the middle of July, and it was so late in the season that he could not reach the Indian tribe of the eastern slope of the Rocky Mountains, the agency of which had recently been conferred upon him, and he had to wait until next year and go by way of Fort Garry, over the plains with the hunter to the head of the Saskatchewan and Reindeer, and so on into the country where now it takes thirty hours to reach. At that time the trip

would consume at least three months." There would not be another departure until the following spring, and he settled down to pass the winter in some occupation that would employ his restless vigour and secure to him means of support which were now exhausted. But the journey, the independent contact with people, the inspiration of travel, and the play of free circumstance had, in nearly a year of wandering, conferred a second and different education; one instant, imperative, lasting. He was now marooned in St. Paul, the little trading station at the head of navigation on the Mississippi; could make no further step toward the Red River, the Pacific, the Brahmaputra, or the Ganges for many months. He must wait there, and incidentally he must work for a living, until another spring should bring the train of creaking bullock carts down from the north and set him on his way. The vision of boyhood was never entirely to be fulfilled. In the newest instead of the oldest world his lot was to be cast; and while, in years to come, his ships were to ride in the harbours of Cathay, to-day the circle of prosaic life was bounded by the muddy levee of a little trading settlement whose name had only lately shaken off the indignity of "Pig's Eye" and become "St. Paul." Transplantation had been effectively accomplished; and the strong shoot was left to gather maturity and fitness for its purpose in the new soil where it was one day to tower aloft as lord of the forest.

## CHAPTER TWO

### ARMS AND THE MAN

JAMES J. HILL arrived in St. Paul, July 21, 1856. An alien by birth, without an acquaintance or a friend, without means of support, he was left upon the confines of civilization to make terms with his new environment. One can almost fancy the ironic humour of Destiny observing these insignificant conflicts out of which mighty things were to be born. With difficulty, however, since events now move so swiftly, can one frame a true picture of the Northwest as it was in the middle of the last century. From this remote outpost only a few high spirits were gazing at the beacons lighted on the Pacific by the recent discovery of gold in California, across the expanse of what all except some enthusiasts, who were tacitly accepted as fanatics, agreed to dismiss with finality from future consideration as "The Great American Desert."

In 1856 St. Paul was a little town of from 4,000 to 5,000 people. The territorial census of 1855 optimistically gave it 4,716. Minnesota Territory, of which St. Paul was the capital, contained from 100,000 to 150,000 inhabitants. The federal census of 1860 made it 172,000. Its limits included the present area of the state together with

the country now embraced in the Dakotas, to the Missouri and White Earth rivers. Its industries, agricultural, lumbering, and fur trading, were, with the exception of the last-mentioned, mostly local. Means of communication with the outer world were too circuitous and slow to permit rapid development. At the World's Fair, held in New York in 1853, the contributions from Minnesota consisted, exclusive of daguerreotypes, unmanufactured products of the country, furs, grains, minerals, and Indian curiosities, in all amounting to sixty-two different articles. Settlement was confined to the river valleys. Along the Mississippi and the Minnesota were rich farms and flourishing villages. Back of these were the open prairie and the Big Woods, where the Sioux and the Chippewa still lorded it undisturbed. The Red River Valley, which was to play so important a part in the new commonwealth and to witness the first great achievement of the raw boy now hunting for employment on the streets of St. Paul, was as desolate as nature had made it. From east to west, from north to south, it was known only to the Indian and the half-breed; a level waste, the home of buffalo and antelope, the hunting ground of the fox and the wolf. One might travel from the headwaters of the Bois de Sioux down to the Red River and follow its course to Pembina without meeting a human being or a domesticated animal. Farther south this condition varied only as, year by year, new settlers pushed

out from their base of supplies along the larger watercourses.

Life was primitive in its isolation. The upper Mississippi River country had as yet no rail communication with the East. All intercourse between them was by way of Galena or some other Mississippi River point, and thence to Chicago. The air, it is true, was full of great projects and a few certainties of development. In 1856 a railroad was already built for one hundred miles west of Chicago, with promise of reaching Prairie du Chien in another year. Another was building from Milwaukee to the Mississippi. Everything was growing. The amount of public lands entered or located by warrant in the territory in 1855 was more than a million and a quarter acres. This, the most fertile land in the world, was valued at about one dollar per acre. But there was not a foot of railroad in the territory, and industry necessarily was restricted to its crudest forms.

St. Paul was a typical river town of the period. Its first inhabitant dated from the year when Mr. Hill was born. Founded by the natural law which placed a settlement at the head of navigation of every river, it had received its first charter from the Minnesota legislature in 1854, and was now bustling with the importance of the convention to frame a constitution for the state that was to be. Its site was unpromising. Rugged bluffs rose from the river bank, with sluggish streams oozing through the marshy ground

between. All activity centred on the levee; the strip of ground, reached often by rough plank-ways across sloughy spaces, along the river that was the only highway to the world. There was life. There business was to be done. On that hung the enterprise of the primitive business concerns, the frame hotels, the rude residences of the frontier capital. The buildings clustered around the landing places or ran up the rough slopes of the hills. But red blood raced in every vein and leaped to every touch of promise and of hope.

A daily line of boats plied between St. Paul and Galena, the port of arrival and departure for river trade above St. Louis. A dozen steamboats ran between St. Paul and settlements on the Minnesota River. Each of these was crowded on every trip with freight and passengers; volunteers for the occupation of the rich wilderness that lay beyond. In 1855 the number of boats engaged in the river trade at St. Paul was sixty-eight, and it had increased 59 per cent. a year for the last five years. The town, consequently, was enjoying the doubtful benefits of a "boom." Rents were high and vacant houses hard to find. A four-room house, one story high, was worth from twenty to thirty dollars a month. And during the long, rigorous winter of that clime, before the first boat came through in the spring with supplies from without, prices soared. On April 10, 1856, says an old account, "flour sold at ten dollars a barrel, oats were eight-five to ninety cents a bushel, butter forty-five

cents a pound, and eggs and poultry were not to be had for love or money." Of money, indeed, there was an annual famine; since the currency supply was cut off in winter and exchange did not exist. But people lived happily on notes of hand and orders on business houses, that would be paid when lumber and furs and cranberries and a little grain went out in the spring and the cash came back. The community, at any rate, was heart-whole and care-free; with the splendid audacity of youth and a supreme confidence in its own future. History was in the making, and every man was intensely alive. No weakling could live in such an atmosphere; but to the strong it was like heady wine.

Peering over the rim of this little crater of activity, northward and westward, the newcomer viewed a debatable land. Between St. Paul and the Pacific Coast, where the early founding of Astoria and the growth of Portland had already erected stations of settlement and sent vague messages of invitation to adventurous spirits in the East, stretched two thousand miles of territory held by some of the fiercest of the aboriginal tribes. Over its quality, over the mere possibility of adapting it to agricultural uses, the best-informed men of the day wrangled hotly. Professor Henry, of the Smithsonian Institute, an authority whom it was then almost blasphemy to question, had rendered his emphatic judgment in these words: "The whole space to the west, between the 98th meridian and the Rocky Mountains, is a barren waste

over which the eye may roam to the extent of the visible horizon, with scarcely an object to break the monotony. The country may also be considered, in comparison with other portions of the United States, a wilderness, unfitted for the use of the husbandman, although in some of the mountain valleys, as at Salt Lake, by means of irrigation, a precarious supply of food may be obtained." To the great majority of people, outside the northwestern country itself, this was final. But it was vigorously combated by those who had explored the region through which it was hoped that a new route to the Pacific might be found. Their testimony was necessarily ex parte. There were no resident witnesses to call to the stand. In the year 1856 one might draw a north and south line from the Red River to the lower boundary of Nebraska, and in all the northern half of the country west of it, from Minnesota to the Rocky Mountains, he would find no settlement, no pioneers, nothing but "savage beasts and still more savage men."

But the Smithsonian could not put down Major Isaac I. Stevens, governor of the Territory of Washington. He had himself explored this country, with a view to the railroad of the future that had already captured the imagination of a few bolder spirits. He could talk of what he himself had seen. In an address delivered in 1858 he said of the country denounced by Henry: "Nearly the whole is susceptible of continuous occu-

pancy by our people. There is no such thing as a desert, properly so speaking, on the entire route. There are gaps or intervals where it is only a grazing country; there are portions of the country occupied by mountain ranges which would not admit of profitable cultivation; but, as a whole, the country is fitted for settlement, and must be settled and occupied at an early day." He carried the war into the enemy's country by proclaiming this heresy in an address the same year before the American Geographical and Statistical Society. Yet the controversy was not ended or the public mind convinced. In 1875, after settlement had pushed out upon the prairies and a northern transcontinental line had been partially built, General Hazen, a scientific authority, then stationed at Fort Buford and supposedly acquainted with every detail, published a pamphlet to establish the position he had announced a year before; that "there can be no general agriculture between the 100th meridian west, the Sierra Nevada Mountains, the British Possessions, and Mexico." Even so late as 1860, when William H. Seward was at St. Paul and made the famous speech that has heartened its people ever since, proclaiming it the site of the future great city of the continent, his genius for making people feel happy went no further in the practical line than the rather Delphic utterance, "God ordained that what is useful to be done should be done." Yet that aphorism might fall significantly upon the ears of a young man who had lived for

four years in St. Paul upon hard work and gorgeous visions of a future in which he was to play a not inconspicuous part.

Only to the northwest, up beyond the Red River country, where Lord Selkirk's enthusiasm had planted the first outpost for the real agricultural and commercial conquest of the interior of the continent, did the rim of the crater break away to reveal in the distance civilized life instead of savage wilderness. Great visions were to enter through that gap, but the time for them and for an account of this most interesting Red River settlement will come later in this story. Meanwhile, James J. Hill looked about him in the little Minnesota town where his travels had terminated for the present, to see what could be done. Here he was to work nine years for independence; here he was to build up a flourishing business of his own; here he was to conceive and carry through the negotiations that started him upon his career as the greatest constructive railroad genius of his age; and until he made the bond purchases of a worse than bankrupt system that startled his associates and revealed him either lunatic or genius, he had not moved his business office or the centre of his active life five hundred feet from the spot on the Mississippi levee in St. Paul where he first found employment and set himself to work with a will.

Between 1856, when Mr. Hill reached St. Paul, and 1865, when he went into business for himself, the years,

though critical in their bearing upon the future as every such formative period must be, were empty of startling events. It was a second and rougher but not less decisive schooling. The boy of eighteen, without friends or capital or equipment of business experience, turned for occupation to the centre of activity in the new community. This was the levee. The willing could always find work there; and he became a clerk for J. W. Bass & Co., agents for the Dubuque & St. Paul Packet Company's line of Mississippi River steamboats. By the river route all the commerce of the little town and the outlying settlements tributary to it was carried on. The shipping clerk was not a specialized employee in those days. He received incoming and discharged outgoing freight. He looked after the contents of the warehouse. He made out waybills and had an eye open for new business. He had to be ready to do anything, and on occasion must work as hard as a roustabout. This was a splendid all-around education for a live young fellow. After one season's experience with it, the journey to the Red River country and thence westward was no longer considered. Work had ousted adventure; and when the firm of Brunson, Lewis & White succeeded Bass & Co. in the packet company agency, they took over as part of the assets the young shipping clerk, who remained with them three years. After that he spent a year with Temple & Beaupré, and four years with Borup & Champlin, who were agents for the Galena

Packet Company and the Davidson line of steamboats.

These outwardly uneventful years were among the busiest of a life seldom equalled in intensity of application. The characteristics of the youth persisted. His vivid imagination made the day's work interesting, because invested with unknown possibilities. His head teemed with ideas and schemes, new and old. He still dreamed of business conquests that might one day be made in the Orient. Now his new experience came into play, and he thought seriously of the project of building steamboats like those which carried traffic on the Mississippi to operate on the rivers of India. But it was no longer a wild vagary. The more disciplined mind was already learning how fact and fancy may be made to work in double harness. He studied steamboat construction and operation. He read everything available about India. He knew exactly what sort of boats would be required and how much travel they could hope to secure. Fifty years later his judgment affirmed the soundness of the venture that he had dreamed of on the Ganges when, as a raw boy, immured in mid-America, he had ascertained that the district between Delhi and Allahabad offered the most promising field for a beginner. Nor was the scheme finally stricken from the list of future possibilities until the period of general railway building began. Then his mind, as swift to grasp the meaning of events as to act upon its own conclusions, realized the

mighty scope of the coming development in the United States; and all thought and effort were turned in that direction. But who can wonder that the young associates in 1858 or thereabouts, in a frontier town in Minnesota, of a boy who not only imagined but talked seriously during long walks with his companions of creating a transportation system in India by placing steamers on the Hoogly and the Brahmaputra, should not understand him; should set him down as a dreamer or a "romancer"?

This did not prevent him from being immensely popular with the youth of full blood and high spirits who breathed the air of a community so vivid and so crude. He was the life of their somewhat rough society, the leader in many a madcap freak. He was a perpetual fountain of practical jokes. The Celtic sense of humour, which he never lost, overflowed in him. High spirits had their way. Here is one of his very few letters of this time that have been preserved. It was written to one of his boy friends back in Rockwood, and the envelope bears on the flap the stamp "Borup-Champlin, Grocers, St. Paul":

Saint Paul, February 11, 1858.

DEAR WILLIAM:

Your epistle bearing date of seventeenth ult. came to hand on good time and your fertile imagination can scarcely conceive what an amount of pleasure I derived from it, as it was the first epistle of William to James at St. Paul for a "long back." My surprise at receiving your letter was only surpassed by my surprise at not

receiving one from you after you left St. Paul, or sometime during the ensuing season. Still, a good thing is never too late or "done too often." It gave me much pleasure to hear that you were all well and enjoying yourselves in the good and pious (as I learn) little town of Rockwood. I did intend to go to Canada this winter, but it is such a long winter trip I thought I should defer it until summer, when I hope to be able to get away, as I intend to go on the river this summer if all goes as well as I expect. Capt. W. F. Davidson wrote me from Cincinnati about going with him as first clerk on the side-wheel packet *Frank Steele*, a new boat about the size of the *War Eagle*. The Captain is Letter A, No. 1, and I think I shall go with him. If not, I have two or three good offers for coming season on the levee, besides my present berth, which is nevertheless very comfortable.

I think it mighty strange that some (of my letters) have not reached home as I wrote several times to my brother Alex. and I never was more surprised in my life than when old Bass handed me a letter of inquiry as to my whereabouts. But after the boats stop running our mails are carried so irregularly that whole bags of mail matter are often mislaid at way stations for weeks, and some finally lost or otherwise destroyed. On the tenth of November last I was returning from the Winslow House with Charley Coffin, Clerk of the *War Eagle*, about eleven o'clock, and when we were coming down Fourth Street passing one of those rum holes, two Irishmen, red mouths, came out and, following us, asked us if we would not go back and take a drink. Charley said "no," and we were passing on when two more met us who, along with the other two, insisted that they meant no harm and that we should go in and drink. I told them that I did not drink and that, generally speaking, I knew what I was about. We attempted to go on, but they tried to have us go back, so I hauled off and planted one, two in Paddie's grub grinder, and knocked him off the sidewalk about eight feet. The remainder pitched in and Charley got his arm cut open and I got a button hole cut through my left side right below the ribs. The city police came to the noise and arrested three of them on the spot and the other next day and they turned out to be Chicago Star Cleaners, a name given to midnight ruf-

fians. I was not compelled to keep my bed, but it was some two months before I was quite recovered from the effects of the cut.

One day on the levee I was going aboard one of the boats and slipped on the gang plank and sprained my knee, which laid me up for about two weeks. About a week ago my pugnacious friend who gave me his mark escaped from the penitentiary at Stillwater, along with all the rest of the prisoners confined at the time. I am sincerely very grateful to you for your generous offer in your letter and fully appreciate your kindness. But notwithstanding my bad luck I have still "a shot in the locker," about $200, which will put me out of any trouble until spring. Our winter here has been very mild and open. We have scarcely had any snow, but what was altogether unprecedented, rain storms lasting three or four days in succession. Times have been mighty dull here this winter and money scarce. Write to me as soon as you receive this and give me a bird's eye view of Rockwood and its inhabitants Believe me

Yours sincerely
J. J. Hill.

Send me some papers.

This is life and adventure with a will. Nor is it uninteresting to consider James J. Hill as fortified against misfortune and provided for a northern winter's siege by that heavy "shot in the locker," a saving of about $200 to stand between him and the world. He lived, in a sense, much alone. Just as his associates could not understand his tropical imagination as applied to practical things, so they would not share in the severe regimen that he prescribed for himself in other ways. His artistic sense, innate and true, expressing itself later in one of the finest private collections of paintings known to this country, turned to work with water colours as a favourite recreation. He read and studied increasingly,

unceasingly. It was already his habit, whenever any new subject came within his horizon, to search out the highest authority he could find, to ask for a list of the best books on the topic that could be had, to send for them and devour them in the hours that could be spared from work. He covered their margins with notes of his own. Once mastered, the contents were his for all time. The extraordinary memory, rivalling that of Lord Macaulay, which characterized the man, served well the purpose of the boy. He was omniverous in his search for information; he tore the heart out of his subject and made it so thoroughly his own that it was at his service ever thereafter. One of his young acquaintances of this time says: "Mr. Hill was a studious young man and did not read trash. I remember on one occasion my brother was sick and Mr. Hill volunteered to sit up with him at night. My mother found him reading a book; and, looking over his shoulder, found it was a book on engineering. She asked him if he intended to be an engineer, and Mr. Hill replied that he did not know what he might be 'You see I am only a young man yet, and a little knowledge about engineering may prove useful some day.'" That is the way this particular twig was bent.

Kindness of heart and love of reading and study—here are two fundamental and lasting traits again illustrated by two other stories of those early days. While Mr. Hill was rooming as a bachelor in St. Paul

and boarding at the hotel, one of the young fellows, not an intimate but an acquaintance, fell ill. The trouble was pronounced typhoid fever, which in those days was thought to involve danger of contagion. After asking of the others who would sit up with the sick man and receiving no reply, Mr. Hill appeared that night and took charge of the friendless youth. On his recovery Mr. Hill asked him "how he was fixed." Receiving the reply that the last dollar was about gone, he handed the convalescent fifty dollars, saying that it would give him a start and when he was earning money again he could pay it back. He was always ready to be kind, always generous, always particularly sensitive to the call of a real need. And as to his chosen delight, Archbishop Ireland, who knew him from 1861 onward, told this story in his presence years afterward at a banquet where the completion of the Great Northern was being celebrated:

"Mr. Hill once told me an incident of his early career which reveals him so clearly that I cannot refrain from repeating it. In the winter, when the river was closed by ice, the steamboats wintering at St. Paul were tied up for the season at the levee. It was desirable for someone to have an eye on them for the owner, and one winter young Hill's residence was the cabin of such a boat. He took into the cabin, with a few pieces of rough furniture, an armful of books—Gibbon's 'Rome,' several scientific treatises, and the like. When, in the following spring, the ice loosened around his boat, he

had read and annotated all his books. He wasted in foolish frolics neither his money nor his time, he resolved to grow into a useful man, and he grew into a great man. This is why he discovered opportunities and was able to form wise plans. This is why he is the successful man."

His intensely practical mind, however, never failed to grip what came nearest to it, and all was grist that came to his mill. The country to which he had come and the business in which he had engaged furnished material for learning and the stimulus of novelty. Incessantly he investigated. His occupation was something to be mastered, systematized, and improved upon. It gave him his first lessons in the theory and practice of transportation. Painstakingly he took up each detail. He came in these years to a thorough knowledge of the mechanics of steamboating; of the gentle art of soliciting business and getting it away from a competitor; of the chemistry and kinetic value of fuels, which he studied with the resistless energy that was now becoming a fixed characteristic. He forgot neither amusement nor recreation; but the day's work was the first thought, and the day's duty the master of every hour that its complete performance demanded. And all his wide reading, historical, scientific, and technical, fell instantly into place and order in relation to the practical work of his life and its as yet undreamed-of realization. He was ready for anything.

A Buffalo manufacturing company made a contract with the house in St. Paul for which he was working, to take an agency for selling three new reaping and threshing machines. These were almost as complicated a curiosity as a flying machine is now. The house asked him if he could set the machines up. He said he thought he could if he could go out and see one running. Here is a reminiscence of his own about it: "I took an old horse that we used to drive in a dray, and went up back of Fort Snelling and found Cormack threshing on what we used to call Eden Prairie. After looking over the machine and noting it carefully, I felt quite competent to set one up in running order; and within a few days a customer came along and I sold him a machine. I was young and felt a good deal of confidence in my ability to run a threshing machine. There is a good deal in having nerve." That incident epitomizes much of his after life. It is hardly necessary to add the epilogue: the machine was set up one evening, started on trial, and worked all right.

Here is another story in his own words: "I remember when we used occasionally to run a boat up to St. Anthony, or more properly I might say Minneapolis, because the warehouse was on the Minneapolis side of the river. The pilot wouldn't steer the boat above Mendota; and having no license and a good deal of confidence in myself—I was younger then—I used to steer the boat. I was pilot, and I came very near on

one occasion to leaving the steamer *Itasca* on a pile of rocks up below Cheever's bar. We only broke about thirty timbers. The wind was blowing and we just had to jump her, and we didn't leave her on the rocks; but when we got her down to St. Paul she was about half full of water." Most of his enterprises, then and after, came through the rapids all right. These years are full of such experiences. They bespeak the daring, the self-confidence and, behind them both, the ability to make good which were to turn the years as they came into servitors.

Another glimpse at short range appears in a letter to the same boy friend in Rockwood to whom he had written his lively experience of two years before. It is on a letterhead of "Borup & Champlin, Wholesale Grocers, Forwarding and Commission Merchants."

St. Paul, January 30, 1860.

Your letter of the 17th was received yesterday, and I hasten to answer it as it was the first I have received from Home for a period of nearly three months. I am glad to hear you are all well, and also glad to say that my health never was better in my life; weight 166 lbs., gross; huge, ain't it? As regards the farm, I would say simply that I would prefer selling it; but if I cannot sell it, I am in no mind to give it away. I want you to write me particulars, what it is worth and what it would rent for, for 1 or 10 years; also, if it is not too much trouble, if James Black or some of the neighbours would not rent it. As regards the rent for the past year, pay my mother some considerable part of it, and afterwards in amounts as in your judgment she wants it.

Write me particulars about everything and everybody. I have been up country most of the time since fall, buying grain, and have

to make another 160-mile trip to-morrow. But knocking around agrees with me. Have not had first rate luck in business this season; however, will come out all right side up with care, marked "glass." My regards to all my friends, and believe me your friend,

Jas. J. Hill.

The environment and the man were both expanding. Minnesota imported wheat in 1854. The first shipment from the state of this cereal that has brought it fame and profit was made in 1857, and passed through the hands of Mr. Hill. It grew on the Le Sueur prairie, and by 1859 there were a few thousand bushels to be sent to St. Louis by boat. There was not enough of it to load a barge; and to save the costs of transfer they sent a barge up the Minnesota River, placed the wheat forward and filled out the cargo with hickory hoop-poles. A little later than this, business possibilities received a great impulse by the expansion of the milling industry in Minneapolis and the incoming of the first railroad. The year 1862 is famous for both these events. Nobody outside had ever heard of Minnesota flour; so they branded it "Muskingum Mills, Troy, Ohio—The Genuine," and sent it out before the days of labelling according to the pure food law. Within three months the flour won such favour in the market on its own merits that it was branded "Minnesota." Fifty barrels of that same flour came down from Minneapolis to a point as near the steamboat landing as the bluffs and ravines of the river banks

would permit, on the bumping little railroad spanning those ten miles. Another glimpse of the life and prescience of the young fellow who saw and was part of these new things: "We hauled it down to the steamboat, and it was upon this occasion of the shipment of flour that I felt we had sent out more tonnage on one boat than the cranberry crop would have furnished in a month. I remember how proud I was to ride up on the last dray, bringing up the procession." Also the stencil with which the first flour made in Minnesota was branded was cut by James J. Hill out of the oil-paper that he used in his manifold book as a bill clerk on the levee. Trifles, these, which yet are not inconsiderable among the early experiences of the Northwest and of the man.

One great interest and one great disappointment fell within these years. The outbreak of the Civil War roused nowhere intenser enthusiasm for the Union or a more generous response in proportion to numbers than in Minnesota. Young Hill caught the spirit of the time and, with E. Y. Shelley, raised a cavalry company for service in the War of Rebellion. This was offered to the state; but Minnesota was not ready for cavalry companies, and the proffered service could not be accepted. Mr. Hill was a member of a local volunteer organization which had been formed some time before under the name of "The Pioneer Guard." With most of the other members he desired to enlist

in the First Minnesota; but the same physical defect that had barred his way to the medical profession in boyhood closed the door to the patriotic aspiration of the young man now just past his majority. Lacking the sight of one eye, he could not pass the medical inspection, and the glory of forming part of the famous First Minnesota was denied him. But to the end of his life he cherished and remembered the Minnesota veterans as if they were comrades and had been brothers in arms; and they, in turn, were never better pleased than when they could secure his consent to talk to them on their anniversary meetings or on Memorial Day, regarding him always just as if he had marched with them in the ranks. One more letter of the time bubbles over with fun and welcome. It tells its own story. The written signature is now in every shade and line the same as it remained to the end of Mr. Hill's life.

BORUP & CHAMPLIN

Wholesale Groceries

FORWARDING AND COMMISSION MERCHANTS

St. Paul, February 9, 1864.

CAPT. H. C. COATES,
1st Minn. Vols.

Dear Sir:

How are you Harry?

It is the wish of the citizens of this little burg to give the 1st a welcome in the shape of a public dinner, etc., and there is a committee at work to make all necessary arrangements.

It will assist them very much if they can ascertain the number of men likely to come thro' to St. Paul also when they would probably arrive so that if they could come nearly so or all together and it was generally understood so beforehand the whole town would go out to meet the boys. Now, Harry, will (you) telegraph me from Lacrosse how many men will come thro' and if they will all come together and if they do not all come together, telegraph about what difference there is in the time of starting from Winona so we may hurry up for we want to give you a good sound threshing and we'll do it too.

Yours in the Lord
JAS. J. HILL.

Here, also, is a lively incident; a remnant saved from the interesting story of those days, as told by a St. Paul newspaper of September 3, 1864:

Theodore Borup, Jim Hill, and Commodore Davidson played the rôle of heroes on the levee yesterday. A boy belonging to a party of imigrants who arrived on the *Albany* went in bathing. The water is very deep there and the current strong, and he at once sank. A cry, "Boy drowning," was raised. Theodore Borup, who was standing in his office door, heard the alarm and, dressed as he was, plunged in, merely stopping to remove his shoes. By good luck; he managed to catch the boy when he was going down for the last time and struck out for the shore with him. The current exhausted Mr. Borup, however, and it was nip and tuck whether he would be compelled to let him go to save his own life. Suddenly someone said: "There comes Jim Hill." The latter threw off his coat as he rushed across the levee, plunged boldly in, and was soon by Mr. Borup's side. Commodore Davidson soon followed, and with these reinforcements the party was safely landed.

Whatever else the far-seeing eye might discern for the future, the actual transportation business of the

Northwest at this time was conducted over its navigable streams. The country had been opened by the highway of the Mississippi, and settlement extended up the valley of the Minnesota. With a difficult gap between, the route ran on, by way of the Red River of the North, to the country about Lake Winnipeg. The ten miles of track between St. Paul and the Falls of St. Anthony comprised the whole railroad system of Minnesota in 1862. No one saw so clearly as this young man of twenty-four what that scant stretch of rails, with its feeble, wobbling engine, fed from woodpiles at either end, beginning nowhere and ending at nothing, signified for the future. His words, already quoted, showed that. Meanwhile, his business lay with the river, where experience was widening to meet the demands presently to be laid upon it. Mark Twain has immortalized steamboating on the Lower Mississippi in that era. The upper river business did not compete with the lower in volume or picturesqueness, but the Upper Mississippi was even more completely the artery through which the life blood of the whole community must circulate. Nor has there been, since then, in the maddest days of railroad building and rate cutting, a hotter competition for business in the carrying trade.

By the consolidation of various local interests, the Galena & Minnesota Packet Company was formed in 1854 for the upper river trade. Three years later the Northern Line started. Into the same business came

"Commodore" Davidson, in 1856, and long remained to the river trade what "Commodore" Vanderbilt was to transportation in the East. In 1860, he organized the La Crosse & Minnesota, and four years later it and the Northern Line were consolidated under the name of the Northwestern Union Packet Company. The rivers carried an immense business for those days. The boats on the Red River, farther away from civilization than interior Africa is now, carried nearly a million pounds of freight in 1861. On the Mississippi it was a free race for all, and the devil take the hindmost. No railroad manager since then has surpassed the packet line managers and agents of those days in fertility of device and ruthlessness of method to secure business. They cut rates to nothing, they risked their boats to make time, they drummed up trade by every conceivable exercise of personal friendship and business "pull," and they were quite capable of buying outright a desirable shipment in or out, taking the chance of selling it, but making sure at any rate that no rival got the business. The Indian lurking a little way back from the river banks and flourishing his tomahawk as he lay in wait for his enemy had no more gladsome days, and cherished them with no lighter heart and no grimmer satisfaction, than the rival freight carriers of the Upper Mississippi in the ten years between 1855 and 1865.

The agent had lavish authority from his principal

in such a struggle, and James J. Hill became known as a man who got business for his line. He was no longer the mere shipping clerk, but the experienced representative who knew to a cent the value of a shipment, the meaning of a rate, when to take and when to refuse business, the credit standing of consignor and consignee. For nearly ten years he had hammered away, and the iron was shaping upon the anvil. Mind and character had matured with experience, and the ambition to stand on his own feet would wait no longer. He had mastered the business. He was known as a shrewd, careful, competent, trustworthy, and endlessly energetic man, to everybody in the steamboat business, and to merchants and business men in the communities with which they dealt. In 1864 he made trial of himself in the new capacity. For three or four months he was in Chicago as representative of the circuitous line which was still the speediest method of communication with the Northwest; by rail or boat from Chicago to Milwaukee, thence by the newly built railroad to La Crosse, and from La Crosse by river packet to St. Paul. Again he made good. While engaged in the shipping business during the summer, he had bought grain during the winter months when navigation was closed, to be shipped out in the spring. Large traffic interests were glad to secure him as their representative, and in the spring of 1865 he went into the forwarding and transportation business on his own account. He had charge

in St. Paul of the business of the Northwestern Packet Company, the big river concern that connected with the Chicago, Milwaukee & St. Paul Railroad at Prairie du Chien, and with the Illinois Central at Dunleith. He had served his apprenticeship. Definitively the second stage of his education, the second period of his life, was closed. Henceforth, we have to deal with the man of affairs, and his action and reaction upon events out of which wonderful happenings were to be born.

## CHAPTER THREE

### LABOUR AND LOVE

IT IS not because of any lack of values that the first ten years of Mr. Hill's life in St. Paul are less fully chronicled than those that follow. It is because he was going through his business schooling, just as he had learned to know and use his mind under Wetherald. And the educational period, whatever line it follows, in schoolroom or in business office, has little daily incident worth chronicling. When it has been said that he was a clerk in the office of the agents of the Dubuque & St. Paul Packet Company from 1856 to 1858, went from them to the Davidson line of steamboats and remained with it till 1865, when he was appointed agent of the Northwestern Packet Company, the bald statement covers in such few lines the facts of swift and interesting years. But the earlier ones were a time of stern tutelage by each day's labour and experience; while toward the last the man of formed character and independent action and initiative clearly appears. The temptation must be resisted to dwell too long upon these fruitful but, in the main, uneventful years, until the peaks of young manhood are gilded by the light that never was on sea or land, and love and

life blend to inspire the putting forth of all its stored and unsuspected power.

There was in the mind of this young man down to 1865, to which time the tale has run, no idea that he had reached a turning point in life; nor had he. The change from a subordinate position to one of business independence was not yet complete. For the next two years he was busied in gaining mastery of the opportunity offered by local conditions of trade and transportation in this new country; destined, if one had a prophetic eye to see beyond the years, to such wonderful development. In order to understand where and how and why this development came to pass, how it wrought into its fabric the characters and fortunes of the captains of that period, and to what extent they were stimulated or modified by it, it will be necessary to describe in a succeeding chapter both natural and trade conditions over the vast and undefined territory, under two flags but having a common commercial goal, which constituted the American Northwest. That story is as essential to a comprehension of the growth of this country and the life of James J. Hill as the history of the colonial period is to an understanding of the origin of the United States, and the character of Robert Morris or Alexander Hamilton.

Prior to any description of the planting of modern life in the midst of primeval wildernesses, the events of 1866 and 1867 must be recounted briefly.

Even then, Mr. Hill was rapidly constructing the foundation upon which he was to build directly for ten years thereafter; and, in a broader sense, for those more familiar and splendid years to follow. For this man's ultimate success was in no lightest particular an accident. Only a superficial view, a mind dazzled by accomplished results and careless of the infinite labour of preparation behind them, can fail to appraise the merit and fix the place of the forty years of life to which Mr. Hill had served a stern apprenticeship before he seized the great opportunity and launched the enterprise that was to create a new industrial empire and make him one of the foremost figures of his time.

He was not, as will appear presently, when the whole environment comes into view, simply the young fellow who is tired of clerking and throws a hazard with fortune by striking out for himself. He had already acquired practical business knowledge and formed business relationships that were to be of value. He had no more idea of remaining an agent for any company than he had of remaining a clerk for any man. Already he was more than half his own master. The same boundless energy which characterized him afterward would not rest content with a mere agent's operations. He was constantly venturing into new fields for his employers and, when it could be done without conflicting with their interests, for himself. Letters of this time there are none save such as deal with prosaic

things like lime and coal and salt and other staples of freightage contracts. But Mr. Hill was enlarging the boundaries of his world and the circle of activity of his powers. Such a man cannot remain unnoticed anywhere; but a new community, where business sagacity and "hustle" are at a premium, is doubly proud of him. So the newspapers of the time make frequent mention of him in terms which would indicate rather the man of independent resources and action than even the trusted representative of what was, in that time and place, a transportation concern of no inconsiderable importance. As soon as he had any sort of free rein, the community began to sit up and take notice. The following news items, gleaned from the daily papers of these years, typical of many others not quoted, are the completest and most suggestive biographical sketch of his manner of activity at this time. They show an exercise of his faculty of going after things and getting them, so disconcerting to his rivals during his whole life.

James J. Hill has secured the contract for furnishing the Government with 15,000 bushels of oats at fifty-eight cents a bushel. As we have remarked before, Jim Hill has a habit of securing things when he goes after them.

J. J. Hill is now prepared to give shippers the lowest rates ever quoted from here to Eastern points. Mr. Hill has nearly all the important carriers of freight in his own hands. He at first secured the agency of the Dunleith Packet Lines of river steamers. Then, one by one, he has had the Chicago & Northwestern, the Milwaukee

& Prairie du Chien, and the Illinois Central Railroad agencies placed under his control at this point.

James J. Hill beats all his competitors when it comes to making the very lowest rates on freight shipments to all points east and south. His valuable services became recognised by the various rail and water transportation companies, and he is now the sole agent of the Northwestern Packet Company, the Milwaukee and Prairie du Chien Railway, and the Illinois Central Railway. Mr. Hill is also a dealer in salt, coal, cement, lime, etc., and keeps always on hand a large supply of those articles. Besides being a hustler for business, he is an agreeable and honourable gentlemen with whom it is an honour to deal. He also guarantees that all freight for points east and south addressed in care of Jas. J. Hill will be transferred at the levee free of charge. This saves five cents per hundred pounds to the shipper.

Jas. J. Hill's plan of transferring freight free of charge promises to become very popular with the country shippers. By marking their consignments "In care of Jas. J. Hill," their goods will be transferred from the cars to the boats, or vice versa, without extra charge. This saves the shippers five cents per hundred pounds, and in return Mr. Hill gets the bulk of transportation business for the various lines which he represents.

Navigation having closed and the steamboat business being thus wound up, J. J. Hill has, with a spirit of enterprise which is commendable, converted his immense warehouse into a mammoth hay pressing establishment. If he cannot handle freight he can press hay, and it is a noticeable fact that when Mr. Hill starts to accomplish a thing he does it complete and single-handed, asking no aid from any one. He says that all hay offered will be taken, and if his present warehouse is not large enough there is plenty of lumber to build others, and plenty of vacant land to erect them upon. This remarkable young man evidently intends to keep abreast of the times.

Jas. J. Hill, who has kept accurate statistics for many years of all freight coming into and leaving St. Paul, informs us that during

the last year 48,000 tons of freight were shipped from St. Paul by river. The tariff by the present roundabout railway route from here to La Crosse is $20.00 per ton and by river $10.00 per ton. Mr. Hill further shows that when the direct line of the Chicago & St. Paul Railroad is completed the steamers will be forced to reduce their rates to $5.00 per ton and the railroads to $10.00 for each ton carried. This will mean a saving at once to St. Paul and tributary points of more than $400,000 per annum, together with a steadily increasing ratio as the country fills up. We trust the means will be forthcoming at once to rail and equip twenty miles from St. Paul to Hastings by next September.

Mr. Hill has had plans drawn to enlarge the lower floor of his warehouse by clearing out the space under the platform. This will double the capacity of that floor. Cars can be run in, loaded or unloaded, and sent out without interfering with his usual freight shipping or receiving business. F. R. Delano, the able and energetic superintendent of the St. Paul and Pacific Road, has followed Mr. Hill's lead.

These are local newspaper notices about a young fellow only just trying his strength, standing on his own feet and dependent upon his own initiative. His capital was that invaluable prescience which rarely failed him, supreme self-confidence and a capacity for work that spoke in every line of his strong features, every movement of his powerful frame, and became the despair of his employees and associates for fifty years to come.

He had a finger in many pies. He was getting interested in the nature of the traffic carried on with the Red River country, and in its future profits. He was discovering that warehousing was as important to all

kinds of carriage as the operation of elevators became later to the marketing of wheat. He was watching the development of railroading, and thinking out its certain future effect upon water transportation. Even at that time he startled his shorter-sighted young associates with predictions of the day when the railroad would drive the steamboat out of business. Here, as so often, other people simply dismissed his scientific foresight as the vagary of an unpractical visionary, and went on their accustomed ways; leaving him to plan alone and work by his unaided energies toward that coming industrial evolution the scope and methods and results of which he already began to outline with some definiteness in his own mind.

He was particularly and immediately concerned with the fuel question, then and always so vitally related to trade and to life itself in the rigorous climate of the Northwest. This business was to be one of the main connecting links between the old activity and the new. It was to run a gangway from the steamboat to the freight car; and by and by to transform the forwarding contractor into the railroad king. The "Big Woods" of Minnesota supplied plenty of fuel. He contracted to furnish and carry it. He was the first man to lay down mineral coal in St. Paul; and for the next ten years the fuel supply was his special study and occupation. In the meantime his head was full of practical affairs, of shrewd arrangements, and of his greatest

and most successful adventure—the foundation of a family life never thereafter to be marred by a cloud, whatever storms might rock the business world.

He did not intend to carry on his business any great length of time alone, because his vision was larger than his unaided strength and resources could fulfil. Within a year from the time when he ceased to be a shipping clerk, he had made a partnership agreement with Blanchard & Wellington, of Dubuque, for conducting a general transportation, commission, and storage business. It is interesting to find, in the details of this contract, an evidence of the previous thrift of the young fellow and a measure of his business expectations. Blanchard & Wellington were officials of the Northwestern Packet Company, and Dubuque the official centre of the upper Mississippi business. They put $5,000 into the deal, and Hill put in $2,500; no small sum for an employee to have got together in the little Minnesota town in those days. Hill was to draw out $1,500 for living expenses, and to have profits up to $3,000, if they should amount to so much. The terms express the confidence of these veteran river men in their young associate. So does their correspondence with him during the life of this arrangement. One of the Packet Company's representatives was coming to St. Paul to look things over, and Mr. Wellington writes to Mr. Hill: "I have told him whatever you agreed to or told him he could rely upon." Not only a sweeping

indorsement, but rather unusual advance information to impart to an associate still in a sense on trial.

In connection with his river business, and his interest in the trade of the Red River country, to be told in detail later, he concluded now the most momentous business relation of all: an arrangement with the First Division of the St. Paul & Pacific Railroad Company, that formless creation of enterprise and speculation and greed, which he was one day to subdue to his own hand and to the uses of half a continent. His own words explain exactly what this adjunct to his other work was:

"I acted as agent for the St. Paul & Pacific Railroad Company in St. Paul. This began in the spring of 1866. I handled the freight by the ton and by the carload under a contract. I built a warehouse, or it might be said I extended their station—built an addition to it two hundred feet long and about sixty wide—in which I received freight from steamboats on the Mississippi River destined to other points, and local freight to St. Paul, and did any business that I might have to do in connection with these boats, giving the preference as to room to the business of the railway company. The floor upon which the boats delivered their freight was a story below the station, on a level with the car tracks. That arrangement was to save drayage. A large portion of the business was to St. Anthony and Minneapolis; and, prior to the construction of that warehouse, steamboats unloaded on the

public levee, and freight was drayed to the railway at an expense of from sixty cents to a dollar a ton. Adding the cost of draying it from the station at St. Anthony to the merchants' stores, it would have been about as cheap to haul the freight direct by team from one point to the other. The railroad was anxious to have this arrangement made for landing freight directly from steamboats into the warehouse. There was no charge made as agent or forwarder on any freight handled by me going over the railway."

An agent of the packet company who was also the agent of the railroad company could do a good stroke of business by eliminating the wasteful cost of transferring freight. The railroad company itself was too busy getting money out of the Hollanders who bought its endless issues of bonds to study trifles like efficiency of operation; not a term in use, scarcely a comprehensible conception in those days. The man who thought it out and worked it out, with the capital that he and his partners had put into their business, was the man who later, by equally skillful adjustments, multiplied over three thousand miles of space from East to West, attached to the word "efficiency" a new meaning in the transportation world.

Thus had business progress gone up to and through the year 1866. In far different fashion the next year was to be the most momentous of his life. For if Mr. Hill had been asked, at the summit of his career, by

any one intimate enough to put the question and receive an answer, what had been its supremest good fortune, he would have declared it unhesitatingly to be the marriage that took place in 1867. One who essays to write comprehendingly of his life must walk gently and reverently here, in dealing with a relation whose strength and sacredness were in proportion to the strength of his own nature and to the unmarred affection between husband and wife through half a century.

Among the young women of the little town was one, Mary Theresa Mehegan by name, whose attractiveness had not passed unnoticed by the struggling young fellow now beginning to think of a home of his own. She was of Irish blood, like himself. About the time that Mr. Hill's forbears were seeking a new home in Canada, the United States was welcoming from the same green island another family which was to supply the profoundest impulses and the deepest feelings that his life could know. Timothy Mehegan, the son of Patrick Mehegan and Joanna Miles, of the city of Cork, was born in Cork, Ireland, February 12, 1812, and Mary McGovern in County Leitrim, February 22, 1828. These two of the old stock who, like so many thousands of their race, had sought new fortunes in a new world, were married in New York, in 1844, in the Church of St. Joseph, on Sixth Avenue and Eighth Street. In 1847 they removed to Chicago and in 1850 went on to St. Paul, where the husband died in 1854. The second

child of these parents was Mary Theresa, who afterward became Mrs. James J. Hill.

Miss Mehegan was a sensible, high-principled girl, of no better fortune than his own in these days of struggle, dependent on her own exertions for her living, and gifted with a character which subsequent fortune might polish to a higher finish but to which it could impart no element of either strength or grace that it did not already possess. Between the two a deep attachment was soon formed. About four years they had known each other, but neither then nor afterward did Mr. Hill ever wear his heart upon his sleeve, and the depth of this attachment had been unsuspected. The young people, after Miss Mehegan's return from Milwaukee, where she had been attending a convent school, went quietly to the bishop's residence of the Cathedral Parish in St. Paul, August 19, 1867, where Father Oster made them man and wife. They went immediately to live in a small but comfortable home on Canada Street, near Pearl, now called Grove Street. It was a convenient location, in a good neighbourhood—the Rev. John Mattocks lived next door—and there they remained about four years. It was a busy and a happy time. Mr. Hill was already comfortably circumstanced, and he had at that time a good library of his own. "He never," said Mrs. Hill, "brought his business home." Then and later, in small affairs as in great, that was a sanctuary from which

all but the gentler and more sacred relations was excluded.

This was one of those perfect unions of which the world hears little because of their completeness. Through small things and great, Mrs. Hill became and remained the ideal wife and mother. To her husband she gave ten children, seven girls and three boys, all of them reared with democratic plainness and with thorough preparation for a life of work. All except one daughter were living at the date of Mr. Hill's death. No woman of high or ancient lineage could surpass Mrs. Hill in dignity and grace. She carried all the honours which the years brought to her with a rare and beautiful simplicity. Every social duty was fulfilled quietly and without ostentation. Her charities were many and generous. The transition from the narrow life of the earlier years to the wealth and position that came so quickly and with such great contrasts was made without a jar; as it can be made only by those upon whom nature herself has bestowed a patent of nobility.

No one can ever estimate the strength, the courage, the happy power to dare and to do that James J. Hill drew through all those unblemished years from his domestic life. He grudged the inroads made upon it by his business cares. He grew young and rested there. He was always interested in and with the children, had time to enter into their work and their play, and never returned from one of his journeys without a gift for

each of them. He was not a man so much as to hint at the depths where his life was anchored, even to the confidants of a lifetime. Once when a friend was complimenting him upon one of his noblest philanthropies, he turned it aside with the words, "Well, the best thing about it was that it made Mother happy." No one who heard the tone or saw the look with which this was spoken would need to know more about the share of Mrs. Hill in the best and highest of all life's relations. Twice he paid publicly to this influence a tribute so simple and so convincing that it should have permanent place in the record of his life.

One of his largest benefactions was the establishment and endowment of a seminary for the education of students preparing for the Roman Catholic priesthood. This group of fine buildings stands in a beautiful spot in St. Paul, on a bluff looking down upon the Mississippi River. The standard of scholarship is high. The institution is immensely important to the cause of Church education throughout the Northwest, from all parts of which it draws students. The gifts to it by Mr. Hill, first and last, fell little if at all short of a million dollars. When any one endeavoured to praise this work in Mr. Hill's presence, he turned the subject, as he did every reference to his benevolences, about which he was incurably shy, with an economic explanation: "Look," he said, "at the millions of foreigners pouring into this country to whom the Roman

Catholic Church represents the only authority that they either fear or respect. What will be their social view, their political action, their moral status if that single controlling force should be removed?" It is not, he declared, of any more importance to the Church that young men should be educated for its priesthood than it is to the State that this undigested mass of foreign material should be dealt with by those who alone have power to mould it into new shape; the anointed agents of the only authority that it understands or will obey. This is as much a matter of good business as is the improvement of farm stock or the construction of a faultless railroad bed.

He was sincere about this, and it is true. But it is not the whole truth. That came out in a moment of strong feeling, when this seminary was dedicated and presented to the Church authorities. On that occasion Mr. Hill, at the close of his presentation speech, used these words, expressive of the deepest feeling of his heart and the greatest fact of his life: "Some of you may wonder why I, who am not a member of your Church, should have undertaken the building and endowment of a Roman Catholic Theological Seminary, and you will pardon me if I tell you plainly why. For nearly thirty years I have lived in a Roman Catholic household, and daily I have had before me and around me the earnest devotion, watchful care, and Christian example of a Roman Catholic wife of whom it may be

said, 'Blessed are the pure in heart, for they shall see God.' On her behalf I desire to present and turn over to the Illustrious Archbishop of this Diocese this seminary and its endowment."

Many years after this, when the citizens of Minneapolis entertained Mr. Hill at a notable banquet in celebration of his sixty-seventh birthday, the date had to be put over a week beyond the actual anniversary to enable Mr. Hill be to present. This is the explanation which he gave to his hosts as a part of his response to their welcome. "There is just one thing that prevented my being here on my birthday a week ago. I had to go East to bring one who to me is the best woman in the world, and one to whom I always feel that I owe more than I do to anybody else in the world; because I have not only had an inspiration to go on, but I have had the patience and loving support that is necessary for every man who has heavy burdens to bear."

The story of the public life of Mr. Hill covers great vicissitudes and startling transformations; but below them all the current of his private life ran as still and restful and untouched by change or loss as the eternal depths of the sea.

## CHAPTER FOUR

### GETTING INTO THE GAME

THE sudden and tremendous success of the great railroad venture upon which Mr. Hill embarked ten years after the time now reached has destroyed the perspective of most persons who have tried to measure or understand his career. In these ten forgotten years the ore was being concentrated in the furnace and the pure metal made ready for the mould of circumstance. This was another and more important period of education, discipline, waiting. Without it could not have come the swift, sure action, the extraordinary triumph at the end. Here, still, is a man in the making; and these unregarded years are as vital to the story as those when railroad systems were rising or falling, and millions being tossed about as mere pawns in the game. He who matched himself against the best minds and most experienced heads of the world in 1879 was not an untried man. The maturing of him belongs to these apparently uneventful years, which all who have tried to estimate his qualities and integrate them with his experience have failed so utterly to appreciate as constructive forces in a human life.

For a clear view of the activities in which Mr. Hill

was now, just after the middle sixties, a recognized and respected factor, and more particularly for an understanding of the progress of these ten years and the slow concretion of the project upon whose daring execution his whole life work was founded, it will be necessary to take up at this point in some detail a study of Northwestern development to date. Something has been said already to show what this country was in 1856. Yet even then the cornerstone of empire had been laid. Much happened in the succeeding twenty years. A great vision of what was sure to happen possessed the popular mind, and had served to glut the appetite of the speculator and the thief. An era unlike any other in the country's experience was drawing to a close, and carrying down with it to ruin the high hopes of the pioneers and their immediate successors. The new epoch is intelligible only to those who have made familiar acquaintance with the old.

It seems natural enough that the starting point of the new impulse should lie up north of the boundary line, in that country where Mr. Hill was born, and where the three associates who joined him in his first memorable railroad enterprise were actively interested. The more rapid progress of the United States in later days makes it easy to forget that from the very beginnings of discovery and exploration the calendar of Canada marches even with that of our own country. So it was the Canadian Northwest where permanent settlement first struck root.

More than twenty-five years before Mr. Hill was born, when the American Northwest was not even a name, the first settlement was made in the Red River Valley on the Canadian side of the boundary. The annals of both England and France are full of the tales of visionaries who believed that they could found in the New World colonies which, in this unprejudiced environment, would revolutionize the industry or the sociology of the Old. Enthusiasts were always to be found to back such projects with political influence and cash. Such was the Earl of Selkirk, a Scotch nobleman, who had visited the Red River country in 1811 as a director of the Hudson Bay Company, obtained a grant of land including all the territory draining into Lake Winnipeg—covering of course the whole of northwestern Minnesota—and brought over in the following year a colony of his countrymen.

The Hudson Bay Company was a name to conjure with in those days. It had been formed in 1670 by that knight of adventure, Prince Rupert, with seventeen other noblemen and gentlemen. Its object was to procure by barter furs and skins from the Indians of North America and sell them in Great Britain. It had unheard-of rights and privileges. Its territory, known as Prince Rupert's Land, a name that persisted in Canada for two centuries, was at first vaguely outlined as the country about the entrance of Hudson Strait; but after the transfer of all Canada from French

to British authority in 1763, the revived institution was commercially supreme over the whole country west to the Rocky Mountains. After a fight with its single powerful rival, the North West Fur Company of Montreal, ended by the modern method of absorption, the Hudson Bay Company ruled over British North America from ocean to ocean.

In the very year when Mr Hill was born it succeeded in obtaining a new lease of power. For twenty-one years from that date it had the sole right of the fur trade in Canada; and this, in the less settled portions and throughout the Northwest, was of course equivalent to a monopoly of every form of trade. For at some stage in every transaction, furs became the medium of exchange and decided its terms. This dominion was exercised with unflinching severity. Inevitably it provoked resistance on the part of those who desired to share the rich profits of exchanging cheap trifles brought from England for peltries that sold at high prices in her markets and were sought for greedily in every city in Europe. Long before the date when this monopoly was to expire, opposition to it had become fierce, and the evasion of its regulations a delightful as well as a profitable occupation. The "free traders" had sprung up, whose business it was to carry on outside of the Hudson Bay Company the same traffic in which it was engaged. Their merchandise had to be brought in by the same routes, and their furs carried out to the same mar-

kets. In taking care of this portion of the business of Norman W. Kittson, of whom more is to be heard later, but who was now one of the important agents in St. Paul for the forwarding of supplies to the "free traders" in the portion of Rupert's Land lying about Lake Winnipeg, Mr. Hill first became familiar with the Red River country, first essayed its resources and gauged its possibilities.

What is now the Province of Manitoba was, of course, included in Rupert's Land. After the example furnished by the Selkirk settlement, other portions were soon occupied by the more daring pioneers who pushed out from the east and made their way through the wilderness. Fort Garry was established where Winnipeg now stands. In many places in the vicinity of Lake Winnipeg scattered populations began to appear. Far westward hunters and trappers threw out the skirmish line of civilization; and trade followed them adventurously, for the gains were great. But all the people of this community were absolutely cut off from communication with the outer world except by a circuitous route. The barrier of terrific forest, morass, and mountain that lay between them and eastern Canada on the direct land route was not to be pierced for many a day. On Lake Superior no merchant ships as yet carried commerce or passengers. The practicable route for the immigrant as well as for incoming supplies was from eastern Canada by way of Buffalo and Chicago

to the Mississippi River and thence to St. Paul. From the latter point the caravans of Red River carts set out every year for their northward journey; one of which, it will be remembered, would have borne James J. Hill away toward the Rocky Mountains and the Pacific, years before, had he not arrived just too late. In 1858 the Red River trains consisted at times of as many as 600 carts; and instead of the scream of the locomotive, the advent of commerce was announced by the lamentations of their wooden wheels. Even the felloes were bent strips of wood bound together with hide, and the wooden axles were guiltless of any lubricant.

Next after the transportation business of the Upper Mississippi, this trade of the Red River country, it will be seen, was the most important in the Northwest. It offered certain special advantages to the enterprising. The sharp competition already cutting into the profits of the Mississippi traffic had not invaded this country; and the time when the railroad should drive the steamboat out of business was far from the imagination of traders in the Hudson Bay Company's empire. Meantime that concern was employing its monopoly after the fashion of monopolies since the world began; that is, in such ways as to breed public hostility, compel competition, and pave the way for the abolition of its own exclusive privileges. The delays and costs of shipping goods from England to Montreal or Quebec, thence to New York by boat, to Chicago, to Dubuque, by rail, to

St. Paul by river, to Pembina by ox cart, and down the Red River to Fort Garry and the settlements thereabouts bore heavily enough on the settler. When to these natural burdens on the traffic which alone made existence in that country possible were added artificial restrictions and imposts, human nature rebelled. Therein lay an opportunity which would play no small part in the commercial education and outlook of James J. Hill, as well as in his conception of a possible future enterprise.

Of course the Hudson Bay Company, after its legal monopoly expired, could not prevent a man's trading on his own account if he wanted to try. But it could and did secure the same protection that like monopolies enjoy to-day. A duty of seven and a half per cent. was levied in its interest on other imports into the Red River settlement. Against this the consumer fought steadily until it was reduced to five, and then to four per cent., where it remained until Rupert's Land was divided and Manitoba became a province of the Canadian Confederation. In the interval the struggle against the Hudson Bay Company's monopoly was carried on not only in the local council and even across the sea, but still more effectively on its own ground. Half-breeds insisted on trading in furs. The trappers and traders of that country and that time were not in the habit of being dissuaded by anything short of physical violence from doing what they found it to their in-

terest to do. So the "free traders," men bringing in and taking out goods in defiance of companies and government regulations, did a growing business. They so far won their way that little effort was made after 1858 to enforce the alleged but no longer legally guaranteed exclusive rights of the Hudson Bay people.

Now the very existence of this competition compelled the big monopoly, in its own defence, to seek the shortest and quickest route into and out of the country. In 1859 its managers were induced to try taking in supplies for Fort Garry by way of St. Paul and the Red River. The experiment was so satisfactory that in 1861 they put on the Red River of the North a small steamer for their own trade. They took an old river craft named the *Anson Northup*, which had done service on the Upper Mississippi, pulled her to pieces, carried the parts over the prairies to the northern stream, put them together there and called the craft *The Pioneer*. She plied between Fort Abercrombie, in Minnesota, and Fort Garry. From St. Paul the supplies for the Canadian Northwest were conveyed by wagon to such point on the Red River as was most convenient for the season's navigation, be it Fort Abercrombie or another, loaded on the steamboat and carried down to Lake Winnipeg and to all the settlements within reach of the river valley. By another year the experiment had grown so successful that a larger boat was needed, and the *International* was added in 1862.

In connection with this traffic James J. Hill acquired that knowledge of the fertile Northwest which was to be the foundation of his great empire-building conception; familiarized himself personally with the country, its needs and its transportation possibilities; and first came into direct contact, one after another, with the group of men who would, fifteen years later, follow his lead in what seemed to the prudent and the knowing the maddest venture launched even in that day of many chimeras and transparent frauds. One of these men, who connect the second and third acts in the life of Mr. Hill, here comes upon the scene.

Norman W. Kittson was born in Sorel, Lower Canada, in 1814, entered the fur trade as an employee of the American Fur Company when he was sixteen years old, and had engaged in the same business on his own account just above Fort Snelling, at the junction of the Mississippi and Minnesota rivers, a few miles above St. Paul, in the spring of 1834. "Commodore Kittson" as he came to be called afterward, mastered the fur trade, went into real estate in the new settlement, became a member of the Minnesota Legislature and mayor of St. Paul, and was thus well known throughout the new country. During all these years he had engaged more or less actively in the Red River trade, and in 1860 he was made agent of the Hudson Bay Fur Company for that business. By this time the St. Paul

merchants supplied practically all the goods sent into the country to the northwest of them. He was their general forwarding agent; and he put on the Red River the steamboats just mentioned.

Mr. Hill, it will be remembered, was, from 1865 onward, in the forwarding business himself. He had an important place in the river trade. He had his new freight house on the levee. There he handled the stuff that came up by water, and that which came over the little ten-mile railroad down from St. Anthony, afterward Minneapolis. He knew all about this northwestern traffic, every pound of which passed under his eyes. Mr. Kittson, before becoming the Hudson Bay Company's agent, had acted for the free traders. He did not throw them over. The business was profitable; and he selected Mr. Hill, the rising young traffic man, to look after it while he was absent for a time in 1863 and 1864. About 1866 he found that he must give up one branch of the business or the other; so he turned over the agency for the free traders to Mr. Hill, who had now become thoroughly familiar with its details. They included the carrying out from the Red River country of furs and skins; the filling of orders for supplies from outside, covering everything from boxes of Bibles to kegs of whiskey, the two being not infrequently included in the same individual order; and the taking of these up into the settlement. The enterprise was not of great magnitude, but required energy, knowledge

of details, and familiarity with the country and its conditions. Thus the area of Mr. Hill's operations extended somewhat in the direction of his earlier fancies; and thus he entered a field to be filled, a little later on, with stirring events.

What was, at this time, Mr. Hill's ultimate business ambition? Every vigorous man of thirty years has formulated an object; has visioned a goal. It does not in the least follow that this represents to him the summit of satisfaction; that he means to relax or will relax his efforts when he has reached it. All really great men find it merely a starting point for new and larger achievement. It represents, in fact, not the maximum but the minimum of what they intend to wring from life. They secretly believe the future holds much more for them. But to achieve less would be failure. Absurd as it sounds now, the mark set for himself in 1866 by the founder of one of the great fortunes of this country was one hundred thousand dollars. This, he often said in later years, was the goal of his ambition then.

It fairly represents the standard of wealth of the period immediately preceding and immediately following the Civil War. A man who controlled that amount of capital was respected as one of the "rich" men of any community. He could be assured, if he invested the money, of an income of seven or eight thousand dollars a year, which the utmost conservatism could not reduce to less than six. There were prob-

ably more millionaires in the United States in 1916 than there were men who spent eight thousand dollars a year on their household and personal outlay in 1866. To be wholly independent financially; to be able, if necessity or choice directed it, to give up business and live handsomely on the income of accumulated capital; and to leave a family, in case of death, securely protected against the buffetings of misfortune is the sane and proper aim of every man worth his salt. James J. Hill shared this common ambition. He set his mark in all good faith; believing that, when he had hit the bull's-eye, he would be able and willing at least to relax effort. Temperament, collaborating with opportunity and intensified by an almost unparalleled success, made him no readier to retire from the fray on his seventieth birthday than he was on his twenty-eighth.

A young man, however great his ability and diligence, could scarcely hope to amass one hundred thousand dollars in a few working years by acting as agent for anybody. As the apprenticeship of the clerk in a shipping office led to the independence of the traffic agent, so this was but preliminary to some business which he himself should control and direct, and whose profits would go toward that hundred thousand dollar fund, and not into the till of another. Mr. Hill did then what he did ever after, what made him the terror of competitors and a master of the game:

he studied local conditions, familiarized himself with endless detail, and then put himself in a position where these would take the place of business capital and go far toward producing it. First, he saw quickly that, in this new country where he was now permanently fixed, where his fortune must be wrought, the fuel supply was all-important. Every incident of daily life reminded him of that.

Minnesota and the whole Northwest, which he already believed destined to early occupation, have frigid winter temperatures. Merely to sustain life in comfort requires plenty of fuel. The locomotive and the steamboat had to rely upon it in all seasons. The fireman, pitching chunks of wood from the tender into the firebox of his engine, the tall smokestacks of the river craft showering sparks upon the cords of fuel heaped ready for the roustabouts at every landing, were to the man who could look ahead as much a part of the passing show as the tepee in the forest or the blanketed Indians who gazed curiously and gloomily at the intruding race. These things must go. Already coal was lord of industry in the once densely wooded regions of the East. The forests of the Northwest would be but a temporary resource. If those great plains beyond, even now appealing to the imagination, were ever to be conquered, with their winter temperatures that fell at times as low as fifty degrees below zero, their future would hinge upon the fuel supply. St. Paul could be-

come the centre of a new empire and the seat of thriving industries only by paying tribute to King Coal. The fuel business offered not only a good present profit, but a key to possibilities of immense future expansion. It was, moreover, inseparably connected with the development of every transportation agency. So for a good many years it became the especial interest and study of the young man who had begun to have several irons in the fire.

Thirty years after this the operating department of the new northern transcontinental line was surprised to discover how completely and accurately its fuel requirements had been foreseen and provided for. When railroad building began in Montana, the fuel resources of that immense and little-known territory were already pretty comprehensively catalogued, both as to quantity and quality, in the head of the president of the St. Paul, Minneapolis & Manitoba Railroad Company. The Canadians, who had built a rival road, were not a little chagrined when it appeared, years later, that the best coal in all that section came from the Crow's Nest Pass mines, and that Mr. Hill had long been in control of them. If an engineer on his road had trouble to keep up steam, Mr. Hill could probably tell him just where his fuel came from and what the proportion of its heat units. These were some practical evidences of the thoroughness of the early study of the fuel question in the Northwest by a young man

who seldom made mistakes and never forgot a fact once acquired.

Mr. Hill, as has been seen, took the agency of the Northwestern Packet Company's line of steamers on the Mississippi River in 1865. A year later he entered into the partnership described with Blanchard & Wellington. But in 1867 this line was merged with the competing company of "Commodore" Davidson. The latter was one of those rough-and-ready, tireless pioneers who are out to get business and mean to have it. There was just enough resemblance between the two men in their imperiousness and intolerance of opposition to make it reasonably certain that they would not remain long in the same boat. Young Hill had his superior officer gauged quite accurately. He summed him up in a letter of the time, showing his already keen judgment of men, in this characteristic style: "As long as the old man thinks he can ride, he will ride; but when he is forced to go afoot, none so pleasant as he." So by 1867 he was in the game on his own account, had secured his contract with the St. Paul & Pacific Railroad Company for supplying it with fuel, and was fully launched upon a general transportation and fuel business. On this substratum rested the multifarious activities of the next ten years. In this splendid school he became an apt pupil. Hon. Franklin MacVeagh, speaking a quarter of a century later, said of this early time: "It seemed to us who were then his associates that our

friend had found his ultimate transportation ideal in a flat-bottomed, light-draft river boat while the threat of a vagrant railroad, which hung without explanation between Winona and Rochester, to penetrate the winter seclusion of St. Paul and force upon it the all-the-year-around relations with mankind, seemed to us particularly aimed at Hill. And it is really no violation of confidence to say that a fluctuating river, open half the year to a relay of dwindling boats, which before reaching St. Paul were sometimes whittled to a canoe, was the pride of this gentleman's early life."

It has been necessary to anticipate somewhat in order to set out clearly the business environment of the time, and the steps that were leading from the Mississippi levee to the banks of the Red River of the North, and from the conduct of water-borne traffic to its junction with and its final merger with the traffic by rail whose conquering importance no section and no individual had yet completely grasped. Lake, river, and canal were still the highways of transportation in the Northwest; and the railroad was regarded rather as a useful adjunct of these, or as a happy means of filling a gap where water did not exist and could not be conducted in volume sufficient to float a steamboat or a barge, than as the commonest and most universal of all the implements of traffic. History shows, with almost the uniformity of a natural law, that periods of sharp transi-

tion in methods, occupations, and ideas about material things are also periods when the genius arrives to comprehend, introduce, and establish the new order. Such a time was this, and the man was not wanting.

## CHAPTER FIVE

### THE FORGOTTEN, MEMORABLE YEARS

THE next ten years in the life of Mr. Hill, from 1868 to 1878, must be studied in detail and heavily emphasized. Superficially undistinguished, they go far to account for the man about to appear and the work he accomplished. In them will be found the key to many of his subsequent successes which were most surprising and most unintelligible to the general public. It was once a common thing to hear him referred to as a favourite of fortune. Here was a man who, according to the general impression, without previous training or special fitness, not only accomplished the most tremendous coup known up to that time in the railroad world, but held to his prize and developed it with consummate skill into one of the completest transportation machines and one of the most valuable properties in the world. People could not understand how an obscure man, forty years old, scarcely known outside of the little frontier town where he lived, could have conceived and carried through such an enterprise. They regarded the event much as they would if he had broken the bank at Monte Carlo. It was just another astounding bit of "Jim Hill's luck."

For years, until painful collisions with him had shattered many illusions and not a few fortunes, this theory of accident prevailed. Then men of sense began to see that qualities, not circumstances, are required to account for such a career. But even then, and to some extent down to this day, mystery hovers dark about the practical preparation indispensable to even the best order of mind for such an accomplishment. The explanation lies in the events of these mostly unrecorded and forgotten years. In that sense they were the most pregnant years in Mr. Hill's life. After listening to an address by a brilliant public speaker in 1911, Mr. Hill burst out: "He is a dynamo—a human dynamo—you can see the sparks and hear him crackle when he talks." The figure is not inapplicable to himself; and the dynamo was at its busiest and the storage battery receiving inexhaustible charges in the years between 1867 and 1878.

At this time, 1867, he himself could not have told what occupation would eventually claim his entire allegiance. In this and the succeeding ten years he worked and planned and studied and threw out feelers in a dozen directions. While about the middle of this period, his destiny was finally determined, the clarification of interest and purpose came to pass for the most part imperceptibly in the subconscious self. Like almost every other energetic and ambitious young man, he kept his visions for his less active hours. At other times he was the hustling man of business; and just

now that business was the contracting for and sale of fuel, and the storing and forwarding of merchandise.

Already one characteristic which was to differentiate him from others, and contribute to his most remarkable achievements, the gift of the clear look forward, was in evidence. To the end of his days James J. Hill was always planning for half a century ahead. He obtained his first railroad interest that way, because he saw a future invisible to others. Fifteen years after that he carried his transcontinental line to the coast, amidst universal predictions of failure, because he visioned the growth of the country traversed as distinctly as if it were mapped out before him. He foresaw the great economic changes that took place during his lifetime and provided for or against them. Because of his prescience as applied to national economics, the whole conservation movement, of which he was the actual originator, came into being. These were not isolated or accidental chapters in a life singularly logical and compact. They were the outcome of temperament strengthened by lifelong habit. Whenever Mr. Hill considered any enterprise in a practical way or contemplated taking any share in it whatever, he immediately proceeded to throw a mental view of it upon the screen and study its probable aspect after the lapse of half a century. Then he knew whether it contained for him any practical use or attractiveness. His mainsail was always trimmed to catch the breeze

of to-morrow. First he planted himself firmly on facts; the exact facts, all the facts. Then he applied to them his powerful constructive imagination. His careful inquiries into the nature and value of our coal measures, with particular reference to the Northwest, have been mentioned. He was one of the first to appreciate the extent and value of the coal deposits of Iowa; and some years later the gentlemen who needed them were amazed to find 2,300 acres of valuable coal lands in one county of the state held under lease by James J. Hill. He read every book on the subject, visited every locality within reach where coal could be obtained, questioned travellers and prospectors, commissioned others to get information for him. In 1872, with a practical geologist, he explored the little known Turtle Mountain country for coal. He became what he remained to the day of his death, an expert on the quantity and quality of the coal measures of the American Northwest, and no mean authority on those of the entire world.

Meantime, his firm was mostly occupied with transactions in the cruder and less costly fuel used in every new country. The individual, the manufacturer, the railroad, were still using wood in that country of bitter temperatures. One thing an enterprising man could do—supply the best kind of wood so long as wood had to be used. Mr. Hill obtained, early in 1866, a contract from the old St. Paul & Pacific Railroad Company,

of which a great deal will be heard presently, to furnish it with fuel. Said one of his contemporaries of those days in St. Paul: "At that time the supply of cord wood brought into St. Paul was of the most wretched character. The farmers used to bring in a load on their wagons, dump it and then pile it up scientifically so as to make a cord and a half out of a cord. They used all the gnarled and knotty stuff they could get hold of, because it made the pile measure more. The result was that the ctizens got wretched fuel and were robbed besides. When Mr. Hill got hold of the wood contract, all this changed. He shipped into St. Paul all the best and straightest hard wood he could out of the Big Woods. The railroad took from him all the light and soft wood for their locomotives, and we got all the good stuff." A little later he put mineral coal upon the St. Paul market for the first time.

This railroad contract, however, was no jug-handled affair, but a business proposition of benefit to both parties. When the terms and effects of it were examined after the railroad went into bankruptcy, the sworn testimony showed that while, from 1862 to 1865 the price of wood in St. Paul and Minneapolis was from six to twelve dollars per cord, and the cost to the railroad company from three to eight dollars, the contract with Hill, Griggs & Co., reduced the charge to the railroad company until in 1871 it was but $1.70, while the cities got wood at from four and a half to six

and a half dollars. The company was enabled to furnish wood at low prices to settlers on the prairie, it obtained a large revenue from the wood handled for city consumers, and at the same time the price of wood lands advanced and labourers found better employment. Here, as later, Mr. Hill had gone upon the principle that he could make a good thing for himself by making new business adjustments that would serve the best interests of the public.

Another agreement had been made early in 1866 between Mr. Hill and the railroad company, for the handling of its freight at St. Paul and the eventual transfer to the company of the warehouse he had built. This was to last for a year only; but when a partnership with E. S. Litchfield was formed later, it was extended to 1872 and afterward to 1874. The fulfilment of it was no sinecure. Mr. Hill saw personally to the carrying out of its provisions. He says: "For many years I bought wood land and cut the wood." He took the land from the company, supplied it with fuel for its locomotives, and marketed the surplus in St. Paul and Minneapolis. At the same time there was the immense detail of the shipping business, by both river and rail, to be looked after. The personal records of this time, devoid of stirring event though they are, exhibit days and years packed so closely with the infinite details of business that one wonders how a man had strength and patience to carry it all. Mr. Hill declared that at one time the

business furnished to the railway company by his firm amounted to fully one third of its entire earnings from freight.

From the first it was undoubtedly the transportation side of his business that interested him most, however important the other may have been then as a resource, or later as an asset, in the carrying out of larger undertakings. His first business partnership, entered into under the name of J. J. Hill & Co., was formed in 1867 with Egbert S. Litchfield. In 1869 the partnership became Hill, Griggs & Co., formed to carry on a general business in wood, coal, and commission. Mr. Hill had bought out the Litchfield interest, and the new firm took it over, being capitalized at $25,000. This made it of respectable size for those days. Mr. Griggs said: "Mr. Hill was remarkably clear-headed and shrewd, and he very early realized that the development of the Northwest would be great and that whoever could furnish facilities for transportation would find an almost limitless field for his energies, capital, and enterprise."

The firm and business changes of the next few years are lightning-like. They correspond to the varying needs of the now growing country, and to the restless aggressiveness and as yet unconcentrated energy of Mr. Hill. He held all these different interests in his hand. He had not yet definitely determined to which one he would finally give his undivided allegiance. Until then he could not afford to relinquish his control of any.

The warehouse, the river trade, the agency for the Red River buyers, the fuel contract with the railroad, the fuel business in St. Paul and the storage, forwarding and commission business—surely here were enough activities to keep a man hustling and to involve him in many firm combinations. The articles of incorporation of Hill, Griggs & Co. are dated August 20, 1869. Hill was to look after the transportation end; Griggs after the wood and coal end, and a separate partnership agreement was made the year following with one De Witt C. Kinsey, for the purpose of "carrying on a merchandising and transportation business on the Red River of the North." Also another side partnership agreement was made in 1870 with another Griggs—Alexander, who knew boats like a book—to cover the building and operation of a steamboat on the Red River. Then there was a pooling of interests with one Armstrong, who also had a contract for the transportation of wood over the one railroad of the town. Mr. Hill left no loose ends showing if he could help it, and the merger idea is by no means the newest thing under the sun. Scattered through the St. Paul newspaper files of 1868 are plenty of items to show that this is no longer merely the hard-working clerk, but now the substantial man of business whose enterprise and successes constitute an important part of the record of the growing capital city of a big state. "J. J. Hill and Beaupré & Kelly were the only two com-

petitors to put in bids to furnish the government with 6,000 pounds of bacon." "James J. Hill's transfer house at the lower levee will soon be filled with flour. Its capacity is 28,000 barrels. During the past week Mr. Hill disposed of 800 cords of maple wood at $7 per cord." "J. J. Hill, in addition to his already numerous lines of business has, with characteristic enterprise, opened an extensive wood, coal, and brick yard down at the levee. He gets his wood from the main line of the Pacific Road, which is the very best brought to market. He has already received about a dozen barges of coal, and he says he will have enough on hand before winter to supply the entire city." Most significant of all is this, also of the year 1868: "A meeting was held in St. Paul to give aid to distressed settlers in the Red River Valley. The total contributions were $1,137. The list was headed by Mr. J. J. Hill with a subscription of $200." A man of weight and position, this, who gave nearly twenty per cent. of the entire relief fund contributed by his town. Also one to whom a crop failure in the Red River Valley was already a subject of interest and a call for help.

James J. Hill was by this time a familiar figure in the public as well as the business life of St. Paul. In 1869 he was unanimously chosen president of the Democratic county convention. Ir. 1871 his name appears among the Democratic nominees for alderman of St. Paul. He was a man of note and activity in his com-

munity; and it is curious in this connection that as yet he had not formally adopted the new citizenship. His naturalization papers are on record in the Clerk's office of the District Court of Ramsey County, in which St. Paul is situated, bearing date October 18, 1880. Evidently he had made no previous declaration of intention, because a search of the records of the Clerk of the State Supreme Court and those of the Clerk of the United States District Court fails to reveal any such entry. The affidavit of 1880 was filled out in Mr. Hill's own handwriting. He declared on oath that he had been a resident of this country the required number of years, and that during all this time he had intended to become a citizen. This declaration took the place of "first papers," having been made legal in 1878. It is clear that Mr. Hill had regarded himself as so thoroughly identified with the United States that he, like many others at that time, put off and forgot an act which, to them all, seemed a useless formality. His relation to a great business enterprise under American law made it material that this form should be complied with. But for many years before that Mr. Hill, though always devotedly attached to the land of his birth and to his kinsmen across the sea, was as thoroughly an American citizen in heart and feeling as if all the laws and all the courts had so declared it.

The gross earnings of Hill, Griggs & Co. ran from $40,000 to $65,000 a year, a big business for St. Paul.

For in 1869 all Minnesota raised only 8,000,000 bushels of wheat, and Dakota was not in the list as a producer of anything. Whatever they made was put at work again as speedily as possible. There was no idle capital, as there was no idle man in this enterprise. The firm lasted, with several unimportant permutations and combinations not necessary to record, until May, 1, 1875, when Mr. Hill bought out the Griggs interest. Immediately the Northwestern Fuel Company was established to conduct the business. It had to be done now without the direct participation and control of Mr. Hill himself. For before this date he had made his definite choice. More and more the transportation business had come to appeal to him personally. More and more the great idea, the great possibility in connection with it, that had occurred to him, absurd, chimerical, but dazzling and insistent, obsessed him. By 1878, when this idea was materializing into one of the most splendid facts in the history of American development and the constructive genius of American railroading, the fuel interest was cut out altogether. Control of the Northwestern Fuel Company was sold to other parties, and Mr. Hill vanished from the fuel business except as the expert on coal supplies and coal values, whose authority nobody in the Northwest was able to dispute satisfactorily.

Forty years after this he was showing the people of Minnesota what wealth they possessed in their exten-

sive deposits of peat; forcing home his point with facts and figures brought from Germany, to which country he had sent a man to investigate the processes, cost, and net returns of peat reduction. His early experience in the fuel business was invaluable to him as an auxiliary in the conduct of his railroad. The subsidence into its proper place of this particular absorbing interest is a typical phase of the growth of the whole man; which was like the assembling of the parts of a crystal, under obscure but mathematical and irrefragable laws, to form a symmetrical whole.

While fuel and freighting were furnishing the bread and butter of life, the future possibilities of the transportation business were inspiring its visions. The boy who had dreamed of steamboat lines on the sacred streams of India, the young fellow who had fought for Mississippi River consignments, the representative of an important part of the Red River trade, was feeling now the pull of a man's full-grown inclination toward his inevitable destiny. The fuel branch of the business came to mean less and less to him and to be turned over more completely to others, and the transportation branch grew until its luxuriance obscured all other purpose. Blindly, in one sense; accidentally, if there were any such thing as accident in the world; intuitively, the wise would say, James J. Hill followed his nature's leading and became more and more absorbed in mastering the various and different details of trans-

portation in this Northwestern country, and in conjuring up pictures of its future whose prismatic fantasies were one day to be changed into sober-hued truth.

At first his business connections were, as has been seen, with the Mississippi River Packet Company, the First Division of the St. Paul and Pacific Railroad Company—the only rail line which the country could yet boast—and the Red River Valley trade. The time was now approaching for the combination of the last two, from whose union a future for him and for the country was to be born. The Mississippi River business was already ceasing to interest him. Although it was in its glory for many years to come, that foresight of his told him that the day when it could capture ambition and reward energy of the first order had passed for ever. The boy who had exulted in the first load of freight over the iron rails into and out of St. Paul had glimpsed a finality. He hitched his wagon to the new régime. When he struck out for himself, the real assets of J. J. Hill & Co. were their share of the Red River business and their contract with the railroad.

For the first two years of independence he had sailed under his own flag. Although he did not yet appreciate the future value of the Red River business and its relation to the growth of the Northwest, he realized its present importance and looked after it closely. After 1866 he handled this trade, as described in his own words: "I took the representation of the outside parties

—the outside traders and the different Church societies and persons other than the Hudson Bay Company, living in the Red River settlement at that time. I received their furs and skins and sold them for them; received their merchandise and goods coming from England; held them here; filled their orders for merchandise bought here, and for machinery or anything they wished to buy; acted for them as their factor and agent." He had secured the handling of freight for the railroad company. He had made his contract for furnishing it with fuel. All these enterprises prospered. The young business man was making money as well as acquiring experience. He was testing the value of the two methods of transportation and balancing them against each other, although he never doubted which of them would control the future.

The railroads creeping out from the Great Lakes to the west and south cast over the Mississippi River business the pall of an inevitable decline. But up in the north there was a flourishing trade, originating in the early days of the Selkirk settlement, that could as yet be handled only by team and boat. Some day it would be a bonanza to a traffic agency yet to be called into being. Meanwhile, there was good money in it. As early as 1868 one customer sent in drafts for £5,000 on England in payment for consignments ordered. That was a transaction not to be despised even in the days of "big business." One order sent down by

a clergyman was for "two cases gin, one cask sugar, two tuning forks, and one copy each of the works of Tennyson and Longfellow." Sweetness and light were likely to abound in that parish. A lively and profitable business is indicated by the firm's reply to a Red River customer who owes them a balance and wants to borrow from the banks. They tell him that he can draw on them for $1,000 cash, or draw for $3,000 if he can send them one thousand mink skins for the market.

Before 1867 these goods were sent from St. Paul by the clumsy Red River cart trains. The change made by the beginning of steam navigation on the Red River of the North, and how that came about, have been described in a previous chapter. By 1867, the railroad line having been extended to St. Cloud, that became the point of transfer to teams. Most of the traffic after 1870 was carried across country to the Red River and thence by flat boats to Fort Garry—or Winnipeg—by steamer. This route came to have decisive and permanent preference. All of the share of this business falling to Mr. Hill was handled without neglecting other interests or ceasing to cultivate local trade. By this time the Falls of St. Anthony had become the centre of an active milling industry, and its flour had to be carried out. In a private letter of 1867 Mr. Hill wrote: "I am shipping for every one of them, in all seventeen mills, with sixty-eight run of stones." So early had he learned to reach out successfully with one hand with-

out letting go with the other. And now he shot his arrow into the air and saw it fall. He put his capital and enterprise largely into the transportation business for the Red River country. Henceforth this was to be his study and his inspiration, while the other interests of the firm were looked after more and more by his partners and associates.

This venture at the outset was, in effect, an invasion of the territory of the domineering and all-powerful Hudson Bay Company, which brooked no competition in its own domain. But the far-seeing young fellow saw that he must fight for what he would win; and he never shirked a fight to the end of his days, and never enjoyed a victory won without dangerous struggle. He had measured the proportions of this Northwestern trade and tasted its profits. He was not one to sit down and look after the office and clerical work while others gathered the glory and the gain. His little boat, with a few barges, made ready for business. Once let him get his nose under the tent and, like the camel, he trusted to himself to try conclusions with the proprietor.

The following is his own account of the earlier phase and the growth of his transportation interest in the Red River country: "My business, commencing in the summer of 1870, included the transportation of a large amount of freight by teams to the Red River and the building of flat boats by which the freight was transported down the

river. The landing or point where the freight was delivered by the teams to the flat boats depended to a great extent upon the stage of water. Early in the season it was up near Breckenridge, and later in the season it was farther down the river. The teams carried the freight down to whatever point could show a depth of water sufficient to float the loaded boat. In the summer and fall of 1870 I sent men up on the upper waters of the river to get out oak timber and plank for a steamboat. During the fall and winter of 1870-1871 I built a steamboat at Fort Abercrombie, and it commenced to run the following spring. In the fall of 1870 I made several trips up and down the valley in wagons, and I spent a good part of the summer of 1871 between St. Paul and Winnipeg, attending to the transportation of both freight and passengers."

This move was justified immediately by its business results. After the order upset by Riel's Rebellion had been restored in 1871, considerable immigration from Old Canada came in by way of Detroit, Port Huron, and St. Paul, where it was taken in charge by the Hill firm and sent to St. Cloud over the railway, by stage to the Red River, and thence by steamer to Winnipeg. When the Northern Pacific line reached Moorhead, goods from eastern Canada and from England were sent to Duluth by the Great Lakes, thence to the Red River by rail, and such shipments swelled the volume of the Red River Valley route. By 1871 Mr. Hill had

a regular through line for both passengers and freight established to Winnipeg, running on fixed tariff schedules. A good share of all the business of this new country was now passing through his hands.

The boat and barges were operated one season by Mr. Hill's firm, and their competition was severely felt. Next year a joint arrangement was made between the firm and Mr. Kittson, who owned the other boat on the Red River and was building a second, and who decided, from his experience, that it would pay better to consolidate than to fight. The agreement, dated January 19, 1872, between N. W. Kittson and Hill, Griggs & Co., was concluded "for the better accommodation of said transportation and to enable them to reduce expenses of maintaining and operating their boats for the same." Kittson had the steamer *International*, another boat building near Breckenridge, and a barge. Hill, Griggs & Co., had the *Selkirk* and a barge. The consolidated concern was called the Red River Transportation Line, and Kittson, at first, was to be manager. "The tariff for freight and passengers shall not be less," says the agreement, "than one dollar and fifty cents per one hundred pounds freight and eight dollars for each passenger between Moorhead and Fort Garry, or Winnipeg." The Hudson Bay Company had a special contract at one dollar a hundred for its business. A year or two later Mr. Hill and Mr. Kittson together bought out the interest of Hill, Griggs & Co., in

this line, and then the two men formed the Red River Transportation Company. All the transportation interests on the Red River were brought together in the Red River Transportation Company, most of the stock being owned outright by Hill and Kittson.

The business interests of Mr. Hill in the Red River country, now increasing every year, had been reinforced by a personal experience and adventure whose influence upon the plans and decisions of the future it would perhaps not be easy to overestimate. This was a visit in person to Winnipeg, during which he received impressions that were to dominate the next twenty years of his life, and became acquainted with one of the men who were intimately associated with him in the purchase of the railroad that brought him wealth and fame.

A combination of circumstances had suggested the desirability of a visit by Mr. Hill to the settlements of the Northwest with which he was conducting this extensive and growing business. As is always the case with trade at long range, there were many outstanding accounts which required somebody on the spot to collect or secure them. The country was in a state of great confusion owing to the outbreak of what is known as "Riel's Rebellion." The half-breed settlers around Fort Garry had been alarmed by the transfer to the Dominion of Canada, created in 1869, of the territorial rights of the Hudson Bay Company. The old

authority they knew; they looked on the new with suspicion and distrust. They believed their holdings threatened and their agreements with the company endangered. In October, 1869, Louis Riel, the turbulent leader of these Metis, or half-breeds, met the new governor, Hon. William McDougall, about twenty-five miles out of Winnipeg, and compelled him to return to the American boundary. In November his followers captured Fort Garry. In December they set up a provisional government, with Riel as president. It was desirable that some one from St. Paul who knew the people should make the trip and size up the situation. There was a personal reason in the fact that Governor McDougall had come through St. Paul with several letters of introduction from Canadian friends of Mr. Hill. Everybody believed the crisis to be more serious than it actually proved. But there was no doubt that it needed personal investigation.

The task of spying out the new land was accepted joyfully by Mr. Hill. At the back of his mind was always his private estimate of the coming value of this country. It was not all day-dream or conjecture. When the Red River carts moved over the prairie on their long journey northward, he had watched the ruts made in the soft black soil. He saw that, the following season, the grass grew lush and heavy where the under earth had been thrown up and exposed to heat and moisture. This, he reflected, was a proof of great fer-

tility. It meant that, at some future day, splendid crops would reward the labour of the coming husbandman. It marked the country, then almost universally despised as hyperborean and unfitted for any uses save those of trappers and traders, as fit to become some day the seat of an exceptionally profitable agriculture. He was to learn now that the area of this rich soil was practically unlimited. It was the same not only out of St. Paul and around St. Cloud where the big carts started, but all the way up through the Red River country to Winnipeg and out to the edge of Dakota. The whole wide horizon to the west of that, still unoccupied and unclaimed, carried the same promise. To the multitude it meant nothing. To this one observer it was another thread that wove fittingly and richly into the alluring fabric of his dreams.

The national conception of the Northwest as a country dedicated for ever to the Indian and the blizzard was, however, beginning to suffer some modification. The granting by Congress of a charter to the Northern Pacific Railroad Company, the reports on the country that preceded and accompanied this, and the debates while it was under consideration had opened flaws in the confident assertion that in this section home-making by the white man was an impossibility. The eagerness of promoters to secure a land grant could not be explained readily unless the land was good for something. In this same year, 1870, Jay Cooke and his as-

sociates took up the construction of the Northern Pacific through the northern part of Minnesota. A great impetus to settlement resulted. Where capital was daring so much, the people followed. This was the first large movement to occupy the land north of St. Paul and Minneapolis and south of the international boundary.

Of course the first thought of the men behind this enterprise was not the settlement of Minnesota. When they fixed the headquarters of the line at Brainerd, which is almost the geographical centre of the state, it was for convenience in construction work and not as a preliminary to land entries. The general officers who had to live in that little town ringed with pines, and endure the discomforts of such winters as they had never known, deprived of the alleviations that attend a more finished civilization, regarded their fate much as might the governor and other officials of the prison settlement of Saghalien. But the people close to the soil knew more and feared less. Now, as ever, so soon as any means of communication was opened, they followed and struck roots in the earth. It began to be demonstrated that there was good farming country here. But on the whole, the popular conception of the Northern Pacific Railroad was that it was a line projected to form another transcontinental link, to unite the northern portions of the Atlantic and Pacific coasts as the Union and Central Pacific were planned

to connect California with Omaha, Chicago, and New York; a national and political necessity rather than a sound business or economic venture. It was too far north to have substantial merits of its own.

The availability for ordinary cultivation of the country still farther toward the Arctic was an idea too fanciful to be seriously entertained by anybody. There was but one man to whom it appealed as solid fact. But it haunted the brain of that man by day and the visions of his head upon his bed by night. Now he was going to look it over, as well as to hunt up customers, make contracts, and supervise the management of a few scows towed by a steamer which, in the words of the time, was built to run wherever there was a heavy dew. It had to be if it was to navigate the shallow, shifting, uncertain waters of the Red River of the North, little fitted by nature and unimproved by man for the use of commerce. Adventure sent its call to young blood; and enterprise, imagination, daring, and endurance were all summoned to some of those tests from which later years cannot take the sharp delight of danger and the pitting of one's forces against nature herself.

## CHAPTER SIX

### JOURNEYINGS AND ADVENTUROUS DAYS

IN THE spring of 1870, about the middle of March, Mr. Hill set out from St. Cloud, going to that point by rail and thence by stage to a place called Burns, about one hundred miles to the west. There it was necessary to take a dog train and go through by way of Pembina to Fort Garry. The whole journey was one of adventure and hardship. Under date of April 17, 1870, a St. Paul paper published the following news item:

> Mr. J. J. Hill, who left here for Fort Garry, is having a strenuous experience, together with his stage companions, in forcing their way through the huge snow drifts which have recently fallen in that district. At one place the driver, agent, and passengers had to shovel their way for over twenty miles. Several nights they were compelled to lie out, and they were compelled to send a man in on foot to bring back a fresh team, as the one they had was completely exhausted. At Old Corner Mr. Hill bought a dog train and proceeded on his journey.
>
> Judge Malmros, of St. Paul, who met Mr. Hill on this trip, said: "Mr. Hill has a splendid team of dogs, the best that could be found anywhere, and was getting on capably. The dog sledges are flat bottomed, like a log slab, with the forward end curved upward and are eight or nine feet long and from twelve to fourteen inches wide, being some two inches narrower at the rear."

Several days out from his starting point the traveller was overtaken by one of the severe snow and wind

storms common to the country at that season. The dogs lost the trail and wandered in circles, and their master was for a time perilously near death. As night fell he blundered upon a little cabin where warmth and food could be had. It was an experience not uncommon in the early life of the Northwest, but it came near to changing the history of the country. Up and back again it was hard going; over the unmarked prairie, along the barely discernible watercourses, camping or chancing upon a lonely cabin or wigwam by the way.

The trade situation in the North proved less troublesome than had been feared. Whether the British or the half-breeds were in the saddle, business was brisk. Furs had to go out, supplies had to come in; and domestic necessities took little heed of political complications. But the horizon of the young man who had made the trip from St. Paul, and was to make it again and again, in the face of every kind of hardship, in the next few years, was vastly widened. He spied out the land for himself. He was always gathering facts and thinking, silently thinking, of the opportunities scattered here so lavishly for the foresighted and the energetic. Why not for him as well as another? He rode up and down on his steamboat. He tired out the captain and the engineer with questions. He knew every piece of wood and metal in her, and how to take them apart and put them together if necessary. He hobnobbed with the settlers, and did not forget to cultivate

the acquaintance of those who could give destiny a push. On his return from one of these early trips to Winnipeg, he met Donald A. Smith.

Of this second of his three associates in his approaching great enterprise—Kittson being the first—passing note must be made. As Lord Strathcona and Mount Royal he was to become an imperial figure in later times, preserving his vigour and adding to his honours after he had passed ninety years. Donald A. Smith, a Scotchman by birth, came over to this country, like many of his nation, to try his fortunes at an early age. He arrived in Canada at the age of eighteen years, in 1838, the year in which Mr. Hill was born. He was first a clerk in the employ of the Hudson Bay Company and for thirteen years was stationed in Labrador, where he roughed it in the inhospitable wilderness. At the end of this apprenticeship he was transferred to a post on Hudson's Bay, where he remained for ten years, rising to the position first of chief trader and then of chief factor. In 1868, having proved himself, he was made resident governor for the Company, with headquarters at Montreal. The next year came the Riel Rebellion, and the new Dominion needed a strong and capable man to handle the situation. The government sent Mr. Smith to Fort Garry as special commissioner. While he was stationed there the fateful crossing of trails brought about his first meeting with Mr. Hill.

It is curious to look back, through the perspective

supplied by our knowledge of after events, upon this apparent accident. Mr. Smith was travelling out of Fort Garry, which he had left March 19, 1870, by dog team over the great wastes of snow. Mr. Hill was travelling toward Fort Garry in the same manner. Each man had heard of the other, and the solitudes of nature are evocative of human friendliness. "We met on the prairie," said Mr. Hill. "The nearest house behind him was one hundred and forty miles away, and I had stayed the evening before at the frontier house of the Hudson Bay Company of which he was the chief executive." They stopped, made themselves known to each other and interchanged the courtesies of the frontier. This interview was charged with momentous consequences. "I liked him then," said Sir Donald Smith a quarter of a century afterward, "and I have never had reason to change my opinion." Mr. Hill was to know later the value of this friend in the great transaction in which they both engaged, and was to inspire him with practical faith in another dream, realized later in the building of the Canadian Pacific. If it could be ascertained, that spot on the prairie is worth some permanent memorial.

Each man impressed the other as a character of force, and each stored away in his mental notebook his impression of the stranger for future reference. Mr. Smith rose rapidly in place and honours. He dealt with the Riel disturbance diplomatically. Nothing

more was possible than to quiet the minds of the people, so that when the inevitable military suppression of the uprising should come, as it did in the summer of 1870, it would usher in a permanent peace instead of a temporary truce. So well did he acquit himself that he was elected to the first legislative assembly of Manitoba from the city of Winnipeg in 1870, and to the Dominion House of Commons in 1871. In the same year he was made Chief Commissioner. He, too, was acquiring knowledge and making powerful friends, both of which were to find place and use in the scheme already haunting the days and nights of James J. Hill, to emerge as a plan of action a few years later.

The preliminary events which may well have made these two men measure each other with speculative and approving eyes, and which had already advised the Hudson Bay Company that it must be prepared to deal with a new force in the Northwest, are as interesting when observed from the other side of the Red River firing line. They are related as follows by Beckles Willson, in his life of Lord Strathcona:

> The nearest point to Manitoba touched by a railroad was the town of Brainerd, in the state of Minnesota, which was the terminus of the Northern Pacific Railway. Between St. Cloud and the Red River the brigades of carts continued to make trips for the purpose of transporting the supplies demanded for the inhabitants of the province. The only steamer navigating the waters of the Red River was the *International*, belonging to the Hudson Bay Company, which carried only the Company's goods. But suddenly an American steamer, the *Selkirk*, appears, heavily freighted

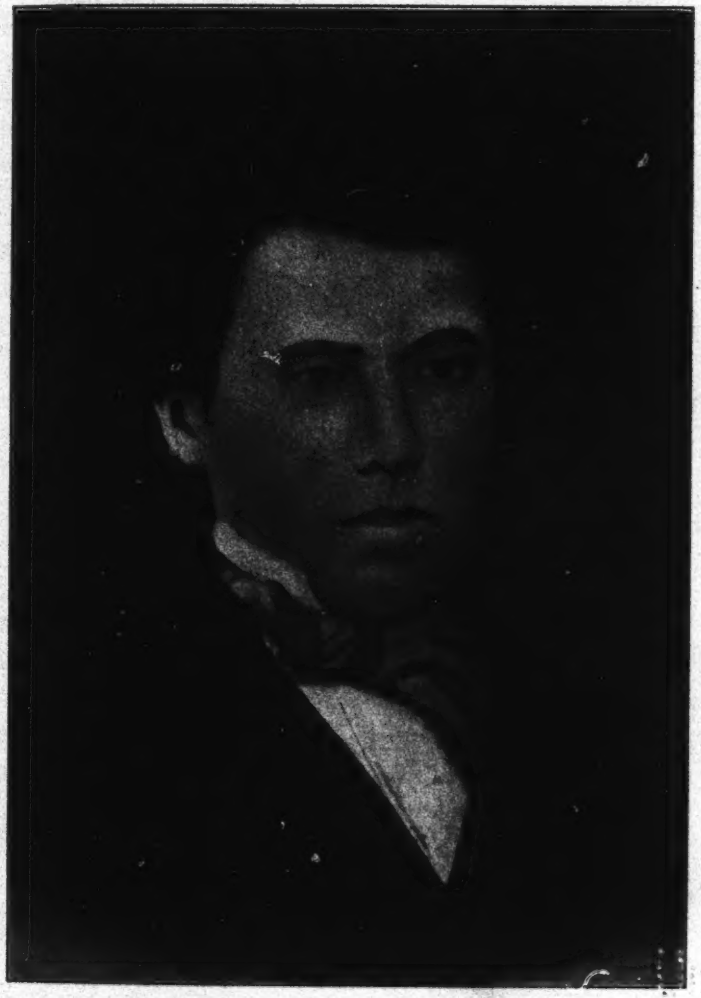
with merchandise for the province. This circumstance alone would not have contributed to the complete breakdown of the cartage system; but it appeared that, according to American law, all goods passing through American territory intended for Canada were required to be duly bonded in the United States customs. This law had been practically a dead letter so far as the Red River carts were concerned, but the promoter of the new steamship enterprise had found means to induce the American government to enforce it. The result was that, having himself taken the precaution of entering bonds, and as neither the cart brigades nor the Hudson Bay Company's steamer *International* had complied with the law, the newcomer for a brief space enjoyed a handsome and lucrative monopoly. It is interesting to recall that the tariff levied from St. Paul to Winnipeg was sixteen shillings sterling per one hundred pounds. Moreover, it was payable in cash, whereas the freight by carts had been payable half in cash, half in kind, a practice which considerably lessened the actual freight charges.

When Mr. Smith heard of this proceeding he was for a moment nonplussed. But with his surprise was mingled considerable admiration for the shrewdness displayed by his trade antagonist in this exploit. "He must be a very able man," said he to a friend, afterward his successor as Commissioner. Then he added, "We must not be caught napping."

The promptness of the Commissioner's measures must have convinced the owner of the *Selkirk* that he had met his match in shrewdness. The steamer *International* was instantly transferred to the Company's agent at St. Paul, Mr. N. W. Kittson, who was an American citizen. In this capacity he secured her bonding, and now instead of carrying merely Company goods, he announced the steamer as ready to transport general freight and passengers. Moreover, the moment the Manitoba merchants heard of the arrangement, they gave the preference to the new pseudo-American boat, and a powerful competition thus sprang up. But it was not destined to last long. Mr. Smith and his rival from over the border, Mr. Hill, met for the first time. A coalition was suggested and agreed to, and Mr. Kittson was appointed manager of the new steamboat company.

Mr. Hill had foreseen and worked toward exactly the end that was afterward accomplished. It was a foretaste of surprises and victories won many a time in later years in the railroad world. He had meant to break into the Red River trade. It had a future, whereas he perceived that the Mississippi traffic had none. In that territory and at that time there was no rival whom it appeared so hopeless to compete with as the all-powerful Hudson Bay Company, with its resources, its arrogance, and its almost immemorial ascendancy over the people and the commerce of the upper half of the North American continent. A practically unknown young man, with a capital of but a few thousand dollars, had set the trap and baited it. The result was the formation of the Red River Transportation Company, consolidating the steamboat interests on the Red River. Said Col. C. W. Griggs, Mr. Hill's partner, in an interview published in 1893, "I do not think at that time that Mr. Hill's available capital exceeded two or three hundred thousand dollars." That figure is probably in excess of the true amount; since it will be seen later on that, six years afterward, Mr. Hill had to put at stake everything he had in the world for the payment to be made on his railroad option.

Whatever the exact amount of his resources at this time, and they were small in any event, they had to carry the fuel business, the storage and forwarding



A BOYHOOD PORTRAIT OF MR. HILL

business, the fuel supply contract with the railroad company, the explorations into coal deposits and lands in the new country, and the building and operation of the Red River craft. This called for almost as competent financing as some of the big deals of years to come, where hundreds of millions were involved. The freight and passenger business of the steamboats increased rapidly. Immigrants began to pour into the Northwest, and the Red River Valley was their objective point.

Mr. Hill during these years was one of the busiest men in the United States. In his office in St. Paul, on the levee looking after his contracts, out on the prairie with the teams in summer and the dogs in winter, down in the engine rooms of the boats on the Red River helping to mend a valve or patch a leaky steam pipe, up at Winnipeg making friends, getting business, and collecting accounts—he was working with the tremendous and sustained energy that made him a marvel to both rivals and associates. His northern journeys grew in number and frequency. At one time, late in 1871, he was gone three months. During all these years the ambition to compass greater things grew within him; and he brooded over his conception of the one road that would lead to them. As yet it was apparently too fantastically improbable to be mentioned to any one. Only when universal failure came with the panic of 1873 could it be whispered into

ears long incredulous, and transmitted to brains that recognized in it only the vagary of an incorrigible dreamer. To repeat the old phrase of one of his boyhood associates, "Jim Hill was always a romancer." The time was getting big with events whose birth should change romance into actuality.

Meantime, flashlights of men and times and conditions illuminate the course of the years just before 1878. They make little moving picture shows of a life now strangely remote, and an activity long ago transferred to a bigger setting. Here are three extracts from an old diary of the strenuous life:

"Sept. 12. Started from Grand Forks for Pembina with Donald Smith by stage."

"Sept. 15. Started by stage from Pembina for Fort Garry and arrived at nine P.M.

And at another time:

"Started down the Red River at daylight and made slow time all day owing to flats. Before laying up I told Captain Griggs to have his freight covered, as he had good tarpaulins. About bedtime I heard the rain falling quite heavy, and upon looking out I saw the tarpaulins were not spread, but it could not well be done in the hurry and the consequence is that some freight was damaged. The captain is too careless and trusts to what he calls his luck. The furnace is entirely used up and is unsafe for an hour. Every night the whole brick work has to be pulled down and built over, unless it has already fallen down. The boilers have fallen through on to the bottom of the boat, and the whole thing is in worse shape than I ever saw a steamboat. The hull has had some hard usage, and must have about twenty new cylinder timbers to replace those broken."

In April, 1911, just forty years afterward, Mr. Hill received the following letter:

DEAR MR. HILL:

I desire to call your attention to an occurrence of forty years ago, which you were very much interested in at that time, and were present on the occasion.

Sunday, April 23, 1871, forty years ago, the steamer *Selkirk* left McCauleyville, Minnesota, on her maiden trip, down the Red River of the North, bound for Winnipeg, Manitoba, having on board one hundred and fifteen passengers and one hundred and twenty-five tons of freight.

The direct result of this trip was the opening of the great Northwest to the Twin Cities.

Of the crew, you and I are the only two now living, according to the best information obtainable.

Yours very truly,
M. L. MCCORMACK.

When the subject of his early days was mentioned, Mr. Hill was fond of telling his family and friends about some of his thrilling experiences. The following account of several of the most interesting was furnished by an intimate friend who had these narratives from his own lips:

"The light and buoyant step which has often been remarked upon by those who met Mr. Hill walking as he always did between his office and the Minnesota Club, where he frequently lunched while in St. Paul, attested his early activity and the ability he must have had in his youth to perform feats requiring unusual strength and endurance. While in later life he frequently weighed more than two hundred pounds,

he never gave an impression of heaviness in his movements, and was fond of saying that at the time of his marriage he weighed but 135 pounds and had a waist measure of 29 inches. It is easy, therefore, to understand how he bore the hardships of his early journeys through the unsettled Northwest.

"The stopping places of which Mr. Hill always spoke, and which must have been on the usual trail between the various terminals of the lines stretching northwestward from St. Paul to Fort Garry, were Georgetown, about thirty-five miles north of Barnesville; Fisher's Landing, on the Red River about sixty miles north of Georgetown, and the Cavalier house near Emerson, about seventy-five miles from Fisher's Landing. The latter was the point to which the Red River boats ran, and must have been something of a settlement. During the season when navigation on the Red River was closed by ice and high water, the stopping place seems to have been the log cabin at the junction of the Red River of the North and the Red River. The distance from the boundary to Fort Garry was about seventy miles.

"There are three principal journeys between St. Paul and Fort Garry, the story of which I have heard him tell several times. The first was a trip starting at some station between Willmar and Morris, on the line of the old St. Paul & Pacific—I think it was Benson—which was at that time the last station on the line.

Going by rail from St. Paul to the terminal, Mr. Hill, accompanied by a half-breed guide, in the late winter when the ground was deep with snow, with camping supplies packed on a sled hauled by dogs, started north, following the prairie trails and guided by the landmarks with which he had by that time become very familiar. As the trip progressed Mr. Hill becoming suspicious of the loyalty of his companion, who insisted that the weather was too forbidding and the conditions too hazardous for making a successful trip, after reaching a point a little south of where the city of Grand Forks now is, rid himself of his unwelcome companion by a subterfuge, and continued the journey alone.

"That night he camped in a little grove of trees on the Dakota side of the Red River, not very far from the point at which one now finds the buildings of the University of North Dakota. With melted snow he made tea and that, with pemmican, formed his evening meal. With the shelter of a few bushes and without fire, because he did not wish to make his location known by the smoke, he spent the night wrapped in his blankets with his dogs close around him. Before daylight the following morning he broke camp, crossed the river, and followed along its easterly bank until late afternoon, when he camped again for the night under somewhat similar conditions. The following morning, long before daybreak, he started again with

the intention of reaching the home of the Cavaliers near Emerson, on the Canadian boundary, before darkness came. Despite the soreness caused by the straps of his snowshoes, which he always called 'Mal de Racquette,' he trotted along behind his dogs, making only short stops for rest, and finally as night was falling, saw the lights of the Cavalier cabin, at which he was always wont to find a most hospitable welcome. It did not fail him on this occasion. From there he completed the journey to Fort Garry in a sleigh drawn by horses. Mr. Hill always referred to this trip as the one on which he made his longest day's snowshoe tramp; and figured that he had covered, following the trail, about seventy miles from the time he broke camp on the east side of the Red River until he reached his destination at the home of the Cavaliers—probably some fourteen hours.

"The second eventful trip was his return from Fort Garry during the spring of a later year, when the St. Paul & Pacific had been completed through to Morris. It was made by sleigh where the roads were still covered with snow, and by wagon on the southern portion. All went well despite the poor roads and the flooded streams, in which ice cakes were still floating, until he came to the crossing of the Bois de Sioux River, not very far from where now is the prosperous town of Wahpeton. The river was too deep to ford, bridge there was none, and no boat was to be had.

With that restless energy which never admitted obstacles, Mr. Hill told his driver to turn back; and that he would swim the river, walk on to the house of a farmer whom he knew, get another team and complete his journey. As I recall it, this was on a late March or early April afternoon. Taking some lumber which happened to be in the wagon, Mr. Hill made a light raft on which he placed the valise containing his papers and the few extra clothes which he carried with him on these trips, undressed, put the clothes he was wearing on the raft and pushing it before him, waded into the river until it was above his depth and then struck out for the opposite shore. He landed successfully, dressed again and reached the farm house where he expected to get another team without mishap. By this time night had fallen and one of the late snows not unusual in that section had started to fall. After a warm supper he began the last part of his fifty-five mile drive to Morris, accompanied by the farmer's boy. It was somewhat after daylight, but the morning train had not yet left when the tired team reached Morris. It is interesting to recall that Mr. Archibald Guthrie, who was afterward an officer of the Great Northern and then one of the leading contractors of the Northwest, was the conductor of the train on which Mr. Hill completed this trip to St. Paul.

"The third of Mr. Hill's especially exciting trips was made after the other line of the St. Paul & Pacific

had reached Barnesville. This was in the summer or early fall, when Mr. Hill was bringing back negotiable securities amounting to some $30,000 in value; a very large sum in those days, and particularly difficult to take safely through this little-settled and rough frontier territory. The securities were packed in a bag, to which, for precaution, Mr. Hill had attached a light chain running from the handle to his own wrist. He was a passenger on the regular stage from Fort Garry, and spent the second night of his journey at the usual stopping place, a log cabin on the banks of the Red Lake River near its junction with the Red River at Grand Forks. A portion of this cabin is still standing in the grounds of the Country Club at Grand Forks. There were a number of suspicious looking characters about the cabin, and in order to avoid comment upon the close watch he was keeping upon his sack, Mr. Hill flung it carelessly in a corner of the single room which served the purpose of office and dining room, but not where he could not keep a sharp watch of it. Then the problem of getting the sack to the little room under the roof, which had been assigned to him for the night, confronted him. He, however, while eating his supper, pretended to have a very severe toothache; and immediately after supper, saying that he had some drops which would give him relief in his sack, picked it up and took it to his room, where he spent a wakeful night, fearing that the presence of the securities had

been discovered. When he resumed his journey the next morning, however, the suspicious characters had disappeared, either having been frustrated by his watchfulness or else never having known the value of the contents of the sack which had been thrown about so carelessly the evening before."

Two dramatic incidents from the vivid and picturesque life of that old day have been preserved in the words of Mr. Hill himself. They serve as reproductions of the time, and as separate chapters in the life of the pioneer; an experience that has formed the characters and led to the achievements of so many of the greatest men in American history.

The first is an account, taken from a diary kept by Mr. Hill at the time, of a Fenian attack on Pembina, of which he was a witness during one of his numerous trips back and forth between St. Paul and Winnipeg. At that time trouble between Great Britain and Ireland was acute, as it generally was, and there were in the United States a lot of Fenian sympathizers who were great talkers and plotters, and little else. The Riel Rebellion in Manitoba gave them a hint. They believed that by fanning the embers of this recently blazing flame they could make trouble for the hated oppressor. They even had visions of capturing Winnipeg as Riel had done, making it the centre of a Fenian state, and eventually driving British authority out of Canada. That they were regarded seriously in the

Dominion is proved by the fact that Riel was able to rehabilitate himself with the Dominion Government in this very year, 1871, and to win from it amnesty for past offences by advising the Metis to unite with the Canadians in repulsing the Fenian advances. In the United States the agitation went far enough to gather together some of the ragtag and bobtail, who set out for the north with all the dignity of a Coxey army, to expel Great Britain from this continent. The following is the story written by Mr. Hill at the time. It is transcribed literally; and its vigorous statement, attention to detail, and excellence in expression show to what purpose he had trained his powers of observation and description. It is a bit of good reporting, though not destined for the public eye, which here sees it for the first time.

"Oct. 5, 1871. This A. M. at 7 o'clock a band of thirty Fenians under Generals Curley, O'Neill, Donnelly, and O'Donahue, composed of about twenty of the hardest looking roughs and ten Pembina loafers, made an attack on the Hudson Bay post at North Pembina, which was occupied by one of the Hudson Bay Company officers and his clerk, and captured it without resistance being offered. They at once set about clothing their half-naked squad of roughs and loading up a wagon with provisions. Either the plunder had too much attraction for them or they thought they could

rest on their freshly-gained laurels, for they remained in the post until 11 o'clock A. M., when they were surprised by Colonel Wheaton with twenty-three men from Fort Pembina coming down the road in an army ambulance and a four-mule wagon. Wheaton unloaded his men and deployed them as skirmishers and advanced upon the fort at double quick. As soon as the Fenian leaders saw the United States troops coming over the Canadian boundary they at once dropped everything and fled. And such a flight! Some on foot and some on Indian ponies, with the wagonload of provisions all scattering to the woody banks of the Red River.

"Wheaton saw they were gaining on him and he at once headed his men into the mule team and charged after them. In about twenty minutes he returned with Generals O'Neill, Donnelly, and Curley in the ambulance and about ten men on foot. They had thrown away their arms and concealed themselves in the bushes about six hundred yards east of the Hudson Bay post, and as Wheaton was returning they gave themselves up. O'Donahue and the half-breeds made good their escape over the boundary line into the Province of Manitoba. Colonel Wheaton took charge of all the stores, guns, etc., consisting of a few sacks of flour, about 200 United States breechloading rifles, a case of sabres, a few old carbines, and 14,000 rounds of metallic cartridges, and marched the whole affair back to Fort Pembina.

"I was a close eye-witness of the whole affair and I never saw a more ridiculous scattering or silly farce. It certainly looked as if the leaders would have been very much disappointed if they had not been kindly taken charge of by the United States troops and in that way kept out of harm's way. The whole thing was laughable in the extreme, but notwithstanding it kept up quite an excitement at Pembina, where the party had made many friends among the hordes of Pembina outlaws and thieves. About five o'clock the same evening a French half-breed named Gordon rode through Pembina to the United States fort on a gallop, and it proved later that he was taking Colonel Wheaton news of the capture of Mr. O'Donahue. It seems that O'Donahue got hungry or dry and went into a half-breed's house and was there taken prisoner by the breeds, but not until he had made them pledge him that they would not deliver him to any but the United States authorities. He was armed and said he would shoot as long as he had power to before he would be arrested unless upon condition that he would be delivered only to United States authority. Colonel Wheaton sent a small guard under Captain Bannister up and handed him over to Captain Bannister, who sent him at once to Fort Pembina."

The farce ended by the subsequent acquittal of the prisoners, after trial before Colonel Wheaton, on the

ground of want of jurisdiction, they having been arrested on soil claimed by British authority. The story gives an interesting picture of the place and time. This was the lawless frontier, the international boundary, the rendezvous of all the pariahs of the new country, where they could hurry from one side to the other according to the authority that threatened to repress or apprehend them. It will also be observed that although the writer of it had Irish blood in his veins, he was blessed with a good head on his shoulders and a particularly keen sense of humour.

The second story, also given in the words of Mr. Hill himself, describes an experience of one of his trips on the frontier. Nothing could so well set before the reader of to-day the tale of hardships now vanished, and of what had to be ur dergone by the men who made the American Northwest. It is worth recording for its own sake also, as a specimen of descriptive relation by a man who, to the end of his life, held the "Pilgrim's Progress" to be a model of the best English style:

"I remember my first trip out of North Dakota. I had slept up at Tongue River, in the northern part of the state, and it was a nice, gray, misty morning. Soon after daylight we started. I was on horseback and had a half-breed or a breed-and-a-half for a guide, and he had a cart and an extra pony. I know that I fell asleep on horseback, and the horse awoke me by snorting. I

looked ahead, and in the fog, sitting on a knoll, was a wolf. I thought that wolf was bigger than a horse. He got up, looked over his shoulder at me, loped away, and I haven't seen him since.

"That afternoon it turned cold. There was a grove on the headwaters of Turtle River, and as it grew colder and the wind was from the northwest and kept picking up little pebbles and throwing them at me, I thought I would go into that grove and camp, and we would have some wood to make a fire. When we got there the little stream had frozen to the bottom and the water was running over the ice. It was April, the water had backed up, there was a lot of slushy ice, and there was no place to rest, not a dry spot in the grove. In going out of it and getting across the stream my breed-and-a-half had to lift on the cart wheel. I got over all right with the saddle horse and went back and took hold of the bridle of the black mare hitched to the cart, and he put his shoulder in under the spoke of the wheel, made an extra effort, and the wheel came around and struck his arm and dislocated it; just knocked it out. He spoke some Indian which I didn't understand, and he had some knowledge of French, such as it was.

"We moved down to where the water was four or five feet deep, and the banks were rather high on both sides, and the wind was howling from the northwest. There we camped. We had no tent, but we had a piece

of canvas which we put over the shafts of the cart, and under that we got through the night. Our ponies were hobbled; they wanted to get under cover with us and keep us company, but there wasn't room for all of us.

"The next day I had to set the man's arm and I did it. Down below there were some box elder trees growing. No breakfast that morning. But we got down there and saw those box elders. Two or three had dead limbs on them, and of these we made a fire and boiled a kettle of water. I took the axe and cut a box elder stick about five or six inches in diameter, with a crotch or fork at one end. I took my underclothes and bound them in a roll and put it under the man's arm and got him under the cart with a stick between his legs. I put the fork against this, cut a notch in the end and let the rope twist in through the notch and back to the wheel. Then I got a stick or standard out of the cart, and took a twist on the rope so that the same power that hauled his arm ahead pressed through the fork on the notches and pushed the end of the stick down tight. I took care to sit across him. I had his head under the cart. I felt reasonably certain that there would come a time when it would become necessary for me to keep him in that position. I gave him a stick to hold, and he thought that possibly if he let go of the stick he would be able to let go of the rope; but I had several turns of it around his wrist. When I got a good strain on him

he began to yell, but I kept going until I felt that the bone pressed into its place. I got him out from under. He found that the joint was back. Through the night he was a little delirious, and he tried to have me take two of the best horses and said he would take the worst one and try to make the trip back to his home. If he didn't, he said his father would take care of his wife and children, but that it was more important for me to get back.

"But I had set his arm, and that is about the only successful surgical operation I ever performed. As soon as I got the horse hitched up and our things in the cart and was ready to start, he wanted to say his prayers. He was a very devout fellow and had a little bit of a French prayer book. Some of the missionaries had given it to him, or maybe his mother. At any rate, he got it out and wanted to say his prayers, and I wanted to give him an opportunity; but at the same time I was ready to go on, and suggested in the best way I could that if he would repeat after me I could do the work more quickly than he could, probably. I remember I commenced at the beginning and went through the various services: marriage service, christening of children, baptism, and burial of the dead. I remember I took a line at the top and one in the middle and sometimes one at the bottom. I got through the entire prayer book, I think, in less than twenty minutes. He felt that he had done the biggest day's work of his life.

He had gone through his prayers and he was very faithful and good.

"Presently we got down to Goose River, where the old trail crossed, and it was evening. We wanted to get across, because there was a little timber on the other side and we could get in there for shelter. I wore moccasins and my underclothing and, perched on the withers of that black mare, I started to ford. The cold weather had stopped the running of the water to some extent, and there was a little ice; maybe fifteen or twenty feet on each side, and a black stream of water in the middle. It was a hard crossing. Down near Georgetown I was crossing again on ice which looked as though it might be all right. All of a sudden it gave way, and as I didn't know how deep the water was I had occasion to think of all the good things and all the bad things I had ever done between the time I started down and when I struck the ground, with the water reaching to my vest pockets. It was hard work getting back to the ice again. The ice kept breaking as I tried to clamber out; but at last I got on to a small pile of earth heaped up by a beaver when the water was not so high, and by that help was able to get up again and continue to Georgetown."

The journeys to Fort Garry and back were a dividing line between epochs in the life of James J. Hill. They broke the routine of ordinary business in St. Paul, which was never thereafter to constitute the first interest of his

life. The physical man, fitted by nature to confront her hardiest moods, and the mind that had something of the old berserker daring, tenacity, and contempt of opposition, were matched for a time against the wildest aspects of the storm-swept plains of the Northwest and the rage of its winter climate. The knowledge of the country and its potential resources that had been accumulating for years was reinforced by minute personal observation. The man and the opportunity had come into actual contact. The wire and the dynamo were connected. Energy began to gather and to flow toward the point where its ordained work was waiting.

## CHAPTER SEVEN

## EARLY RAILROAD DEVELOPMENT IN THE NORTHWEST

WHEN certain chemical elements come into juxtaposition, any shock may unite them with startling results. The shock which came to open to James J. Hill a new and great career, to evoke his latent possibilities, and to change the aspect and fortunes of the Northwest, was the panic of 1873. That made the opportunity for which he waited and of which he dreamed. Severe everywhere, it broke in full fury upon the railroad enterprises of this new country; financially ill-supported, built on rainbows of unlimited credit and profits to accrue from business still in the womb of the future, handled in some cases by men who cared less for the fortunes of the country than for their own personal aggrandizement. It needed but the first turbulent breath of the coming storm to bring this flimsy scaffolding, without even an uncompleted building to steady it, to the ground with a crash. When this opportune moment came, it found also the man ready, equipped and waiting to wrest from it a talisman with which to touch the prairie and the iron rail and transmute them into achievement and power.

The other essential element, the opportunity presented by the railroad situation in the Northwest, can be appreciated properly only after a preliminary glance at actually existing conditions there. It would be impossible to estimate the greatness of Mr. Hill's plan, slowly maturing at this time, or that of his later accomplishment, without a fairly accurate knowledge of the progress of railroad building in the Northwest, and of the condition in which existing enterprises found themselves before and after the storm that broke in full force in 1873.

In 1830 there were but twenty-three miles of railroad in the United States, and the cars operated over most of it were drawn by horses. A rapid subsequent increase in growth was checked by the panic of 1837. After that the business went forward again, everywhere with liberal aid from interested communities, until the panic of 1857 gave it a second setback. The Civil War by no means put an end to this form of enterprise. Although only 3,303 miles were built between 1860 and 1865, that was a pretty fair record for the times and the circumstances. By 1873 the total mileage of the country was 70,653, and it had more than doubled in the preceding eight years. The business was speedily overdone. While there were 1,026 inhabitants for each mile of railroad in 1860, there were 730 in 1870 and 590 in 1873. It is estimated that at that time it required at least 850 people to support a mile of railroad.

Booms, over-confidence, reckless financing by the issue of state or local bonds to promote the building of roads that could not do anything but a paper business for years to come, reckless discounting of these securities for the immediate benefit of promoters and construction companies—all the wild-cat financiering with the history of which during that epoch the country is tolerably familiar—came in to hasten the inevitable catastrophe.

Naturally, the cyclone raged with greatest fury where the hypothecation of the future had been most pronounced; where there was the smallest ratio of real assets and actual business to the total volume of debt that these spindling supports must carry. That located the storm centre north and west of Chicago; and nowhere was its violence felt more sensibly than in the territory which Northwestern railroad projects had taken for their own. To financial misfortune incident to the times were added causes of collapse less creditable and almost as general. In 1873, Cushman K. Davis, afterward to become one of the political leaders of the nation, said in a speech during his gubernatorial campaign, "I am perfectly satisfied that there is not a railroad company in Minnesota whose franchises are not subject to forfeiture for flagrant, repeated, and probable malversation and abuse."

On the third of March, 1857, the United States government had granted six sections of public lands to the mile, which was raised to ten sections in 1865 in the

state of Minnesota, to aid the construction of certain lines of railroad. In May of the same year the legislature of the Territory, which did not achieve statehood until 1858, chartered the Minnesota & Pacific Railroad Company, with a capital of $5,000,000, to build a line of railroad from Stillwater, on the St. Croix River, forming part of the eastern boundary of the state, by way of St. Paul and St. Anthony, as the site of the Falls where Minneapolis now stands was then called, to Breckenridge, on the western border. The distance, as the road was to run, was 225 miles. There was to be a branch line, from St. Anthony by way of St. Cloud and what is now Brainerd to St. Vincent, on the Canadian boundary. This distance was 285 miles; and the grant of lands made by the federal government, as stated, was then assigned by the Territory to this company. "The very name, 'Minnesota & Pacific,' betokened the wide and ambitious sphere of its intended operations. It was to bring prosperity with the iron horse into the great grain and fur-bearing regions of the North." The legal and actual successor of this Minnesota & Pacific Company was the St. Paul & Pacific Company. Mention has been made of Mr. Hill's contracts with the latter for handling wood and freight. Inseparably connected with his name, it will appear several times in this chapter, and its history forms the subject of the next.

Three other Minnesota companies were made at the same time beneficiaries of the same act. These were

the Transit Company, to build from Winona to St. Peter and the Big Sioux River; the Root River and Southern Minnesota, to build from La Crescent to Rochester, and from St. Paul and St. Anthony to the Iowa line by way of Minneapolis, Shakopee, and Mankato; and the Minneapolis & Cedar Valley, to build from the Iowa line at or near Cedar River, by way of the valley of the Strait River, to Minneapolis. Helped by their land grants and the proceeds of Minnesota bonds issued in their behalf, considerable grading was done on these lines and the state saw untold prosperity presently to be enmeshed in their ambitious network. But as there was neither real capital nor a developed business community behind them as yet, all of them failed. Their properties were bid in by the state in 1860, with nothing but about 240 miles of grading to represent exhausted finances and blasted hopes. The remnants of the Transit Company's property were transferred to the Winona & St. Peter, and so eventually were merged in the Chicago & Northwestern system of to-day. The Root River Valley and Southern Minnesota did not begin work until after 1864, and its feeble efforts were soon absorbed by other projects. The property of the Minneapolis & Cedar Valley, the second company in the state to build, was incorporated later with what is now known as the Chicago, Milwaukee & St. Paul. But the fortunes of the first-mentioned company, the Minnesota & Pacific,

it will be the business of this story to follow later as the St. Paul & Pacific, which Mr. Hill and his associates were so daringly to covet and acquire.

The Northwest was railroad-mad; anybody who promised to build one could get almost anything he asked for. No less than twenty-seven railroad companies were authorized and chartered from 1853 to 1857. But the financial upheaval of 1857 had for the time made it impossible to raise the cash necessary to the prosecution of the various railroad schemes under way. The first legislature of the state of Minnesota, in response to a popular demand for some measures that would enable these now helpless companies to carry forward their projects, authorized a constitutional amendment, afterward approved by the people, providing for an issue of $5,000,000 of state bonds against these ceded lands, to be divided equally between the four companies. Only $2,275,000 of these bonds were issued; but they supplied money for the beginning of railroad construction. Much of the proceeds was wasted, or worse, the state afterward refused for years to honour the bonds, and a bitter controversy ensued that was not finally settled until a quarter of a century had elapsed. One hundred thousand dollars' worth were issued for each ten miles of grading, and a like amount for each ten miles of completed and equipped road. Ground was broken in May, 1858, and this was the first sod turned for a railroad in the state of Minnesota. In 1858-9, sixty-two

and a half miles of line were graded and bridged from St. Paul via Minneapolis toward St. Cloud. Then the loan was exhausted, credit failed, the hopelessly involved company stopped construction, and the property was bid in by the state at a foreclosure sale. There the project lay dead through 1860 and 1861.

It is hard to realize to-day the crudeness of the country from the Great Lakes and the Mississippi to the Pacific Coast in the sixties and the early seventies. Yet one will see that it had made great progress since the last note taken of it at that earlier date, less than twenty years before, when Mr. Hill arrived in St. Paul. Between 1860 and 1870 the population of St. Paul had risen from ten to twenty thousand. It was to double again in the next ten years. St. Anthony had become Minneapolis, and had grown from 2,500 people in the former year to 13,000 in the latter. Edward Eggleston's "Mystery of Metropolisville," the scene of which was located there, had a great vogue for a time, less because of intrinsic merit than for its picture of life on what was still considered the American frontier. And, indeed, no one was likely to forget that it was yet but a decade since Minnesota had been in the grip of a serious Indian war, preceded by the most horrible massacre of whites in all the later history of the country. Duluth showed up in the census of 1860 with 80 people, which had risen to 3,000 by 1870. St. Paul's importance was based less on commercial activity or outlook than on its

strategic position as the head of navigation on the Mississippi, and centre of the big railroad systems which a deluded public had been led to believe were immediately to cover the Northwest; growing out of land grants and subsidies, tangible and grabbed at or hoped for though still unseen.

That the country itself, unaided by legislative favours, would soon support such enterprises as business ventures, was an idea that had scarcely entered any mind save that of Mr. Hill; and when presented seriously made material for the scoffer and the humourist. Americans had a right to resent the jibes of Dickens in "Martin Chuzzlewit," which represented the ludicrously inflated boaster as the typical American, or at least the typical Westerner. The truth is that the hard-headed pioneers who settled all the West were in a practical way, the least boastful, the most matter-of-fact, of men. Their faith in the future was, indeed, ardent and unbounded; but, like their religion, it looked far into the distance for its rewards. They did not correctly gauge the lively rate of coming progress, or anticipate the events that were so nearly upon them. They were sanguine enough; but what they saw as background in their mental picture of the future was in reality foreground.

Southern Minnesota was by this time pretty well settled. The valley of the Minnesota had carried the immigrant as far west as Big Stone and Traverse

Lakes, on the Dakota boundary, and daring settlers were beginning to venture farther out upon the northern plains. The valley of the St. Croix had carried them some distance to the east and north, and the Mississippi to Brainerd and beyond. Railroad communication came in by La Crosse, and extended from St. Paul to Breckenridge and Duluth, and from Duluth to Moorhead, on the Red River. Of this northern country Mr. E. V. Smalley, in his "History of the Northern Pacific," after noting the speculative quality of the settlement at Duluth, goes on to say:

> Across the Bay of Superior was a straggling little hamlet called Superior City, which could count, perhaps, twenty years of sleepy existence, hibernating in the winter when the lake was tightly frozen, and living at all times chiefly on hope. Beyond these two rival places there was not a town, village, or hamlet westward on or near the line marked out for the Northern Pacific Railroad for a distance of more than a thousand miles. Between the head of the lakes and the mining camps among the Rocky Mountains in Montana no abodes of civilized men existed, save two or three military posts and Indian agencies, and a few isolated trading stations. Northern Minnesota was a forest into which the lumberman had not yet penetrated, save for a few miles back of Superior. The beautiful region in the western part of the state, dotted with little lakes separated from each other by park-like stretches of woodland, had but lately been the home of the warlike Sioux, and was then quite destitute of population. On the Red River of the North there were two houses at the old Hudson's Bay trading post of Georgetown, and farther up the stream the ruins of a settlement at Breckenridge which the Sioux had destroyed.

The Dakotas were still part of the Western wilderness. Western Minnesota was the same. According

to an eye-witness of the time, there was not an acre under cultivation between Crookston and Glyndon, and only a house out there near Wild Rice River. It is worth repeating and emphasizing that when a practical railroad man of that era went hunting for actual traffic, as distinguished from the more familiar and customary chase of subventions and land grants, he headed for the country about Winnipeg; where, as already described, there was real business to be done. This was not only the prize at present to be struggled for, but it was to determine the direction and character of railroad planning and railroad building in this part of the country for a long time to come.

In 1870, Charles Carleton Coffin wrote an interesting book on the Northwest, called "The Seat of Empire," for which personal inspection furnished the material and the famous speech of Seward gave inspiration and title. In it he said: "Hundreds of Winnipeggers were upon the road, either going to or returning from St. Cloud. . . . The journey down and back is between eight and nine hundred miles; and as the average distance travelled is only about twenty miles a day, it takes from forty to fifty days to make the round trip. No wonder the people of that settlement are anxious to have a railroad reach the Red River." He estimated the value of that trade at ten millions of dollars per annum, increasing yearly. Jacob Y. Shantz, a Mennonite who visited Manitoba in 1872, said: "Fort

Garry, the principal trading post of the Hudson Bay Company, contains a small fortress and a garrison of soldiers. . . . At a distance of about a quarter of a mile or so lies the town of Winnipeg, the capital of the Province, only founded a few years ago but already containing twelve stores, five hotels, and a large saw-mill. On the eastern side of the Red River lies the village of St. Boniface." He said that Winnipeg that year had nearly 1,500 people, while two years before it claimed but 300. One of the most reliable historians of Canada says that in 1871 the white population of Canada west of Lake Superior and east of the Rocky Mountains was 12,225; while ten years later Manitoba and the Territories, exclusive of the land awarded to Ontario, had 118,706 people. Most of this immigration was now going in and most of the products of that country must go out through the United States.

The all-Canada route merely from Fort William to Fort Garry was between four and five hundred miles, through the roughest kind of wilderness, with dozens of portages. From Toronto, the point of departure of most Canadian immigration, to Fort Garry, the most acceptable itinerary was to Detroit and Chicago by water, and thence to St. Paul; or from Collingwood to Duluth by boat, thence by rail to the Red River, and so by steamer to destination. The former route was 1,572 miles long, and the latter was even more inconvenient. Everything clamoured for better facilities.

Already a thoughtful man might see that a through railroad from St. Paul to tap the business reservoir about Winnipeg would find a considerable and very profitable traffic ready-made.

The Canadian Pacific enterprise had made some surveys for various projected lines from the upper valley of the Ottawa River to Winnipeg, but these were all tentative. The country could not support a railway, the through business would not warrant the building of a long stretch of line which even the imagination could not picture as productive, the company itself was in bad odour, and only political considerations, long after, provided Canadian rail connections eastward for the people of Winnipeg and the Canadian Northwest. Meantime, they had to be served by American agencies; and the competition for their business was a prime factor in the development of the country on the American side of the border, and determined the fate of great enterprises. In spite of real and rapid development, the American Northwest was still crude and primitive. Only a lively imagination and an intelligence gifted with almost unnatural prevision could regard it seriously as a fit theatre for great plans and great deeds destined to full fruition within the lifetime of the existing generation.

The natural entrance and exit for the upper Mississippi country, for a railroad as well as for a settler, was by the river valley. Under old charters and

amendments to them a line was conceived to run down the Mississippi River from St. Paul to the Iowa line, and in 1867 the St. Paul & Chicago Railway Company was formed to handle it. In two years twenty miles of track down the river had been finished, and in two more it reached Winona, more than one hundred miles from St. Paul. By 1872 it was built to La Crescent, across the river from La Crosse, and became a part of the Milwaukee & St. Paul Railway Company, the Chicago, Milwaukee & St. Paul system of a later day.

The eastern connections were all right. But to the west and north were two big ventures that had come to grief. The difference between them was that, while the prestige and the admirable advertising system of the firm of Jay Cooke & Co. had made everybody familiar with the Northern Pacific enterprise, and reduced the number of doubting Thomases, the St. Paul & Pacific, its only possible rival, which had done most of its promoting among the burghers and bankers of Amsterdam, had long been a laughing-stock at home and now appeared about to become a hopeless paralytic. It really came to owe its future, later, to the fact that its repute fell so low that nobody would invest a dollar in it on any terms; that the public, which had never thoroughly believed in it, turned the cold shoulder to it altogether; that the Hollanders, who had sunk a good many millions in it on the advice of the promoting artists of that generation, declined to risk another penny

on the most tempting promises of future return; and that, finally, like a desperate bankrupt, they were ready to make almost any bargain to get rid of the property. Its indebtedness had become a hopeless burden, its securities were a liability instead of an asset, and in its future only one man in the whole Northwest at this time could discern a gleam of promise.

Of course the Northern Pacific offered the most dazzling prize if a man could reach it. But it was a difficult proposition to handle. Big capital would be required. Eastern investors must be dealt with, who would demand the lion's share in case of a successful reorganization, and who could not yet believe that they would not somehow come out whole or better from investment in a company dowered with a charter from the United States Government, then supposed to be the very hall-mark of solvency. As a matter of fact, it will be shown in the next chapter how the Northern Pacific at this time had gobbled up all that seemed to be worth digesting of the St. Paul & Pacific Company itself. Had it not been for the financial crisis of 1873, which threw that company into bankruptcy and prevented it from carrying to completion its ambitious scheme for a traffic control of the Northwest, the course of the railroad history of that section, and of the life of Mr. Hill as well, would probably have been changed.

The federal charter granted to the Northern Pacific

in 1864 authorized the construction of a railroad whose line was to run from Ashland and Superior, in the state of Wisconsin at the head of Lake Superior, to Puget Sound. Funds were difficult to obtain; and it was not until February, 1870, that actual construction was begun. The authorization by Congress of a bond issue, with an extension of the time limit for completing the line, helped to bring in money enough to keep the enterprise going. In 1871 the line had been built westward from the head of the lakes, through Brainerd, Minnesota, to Moorhead, on the Red River, and twenty-five miles of track had been laid in the state of Washington. Construction was pushed as rapidly as the sale of bonds brought in ready money; and by 1873, when panic struck the country, the eastern end of the system had been extended to Bismarck, on the Missouri River, and the western end southward from Tacoma to the Columbia River. Then universal financial distress, absolutely preventing further marketing of bonds for an enterprise such as this, whose future, however promising, was still below the horizon, put an end to the work. The company struggled on against adverse conditions for two years more, and then passed through a receivership and a reorganization. At the date which has been reached in the life of Mr. Hill and in the crystallization of his plans, the Northern Pacific was not available to a newcomer in the transportation world. Although tottering, it had not yet fallen. Its stockholders had

not yet yielded to despair; and no one except an Eastern man, enjoying extensive credit with Eastern financial concerns and the personal acquaintance and confidence of the Eastern creditors who had poured their savings into Jay Cooke's glittering scheme, could hope to gather the Northern Pacific from the tree, even when it became ripe enough to fall of itself.

The Lake Superior & Mississippi Railroad had just been built, with the aid of a land grant embracing much valuable pine lands, from St. Paul to the new town of Duluth, at the head of Lake Superior. The fundamental thought of the dreamers of that time was a rail connection between the Great Lakes and Puget Sound. A transcontinental road in those days suggested principally the idea of the distance from ocean to ocean. Cargoes of imagination were more welcome than ponderable freight. The experience of the Union Pacific and the Central Pacific, tended to confirm this predisposition. But some of the practical men who were using these flights of fancy to coax money out of old tea-pots saw further. They knew that the head of navigation on the Mississippi River was destined to be a traffic point of strategic value in the future of local business and of transcontinental business as well. They saw that the watershed dividing northern from southern Minnesota had a profound meaning for the railroad; and that it was necessary to hold both slopes against all comers. Therefore, it will be noted that,

with the smallest possible flourish of trumpets, at a time when every dollar and more was needed for pushing the work of actual construction on the new line, they found time and funds to tie up with a lease the recently built road from St. Paul to Duluth, the Lake Superior & Mississippi just mentioned.

This would help both as a collector and as a distributor of business in the territory south of the head of the lakes. It would be a formidable competitor in case some other visionary should start building another line toward the Pacific from the Upper Mississippi. Its possession was strategically necessary. Nothing convinces the student of early developments in the Northwest of the shrewdness, the grasp, and the daring of these pioneer railroad men more surely than this control, for reasons of policy far in the future, of a line built over country then regarded as a barren wilderness, to a ridiculous little hamlet which Proctor Knott made known to the country as "The Zenith City of the Unsalted Seas." This was a joke of truly national proportions, received with guffaws of inextinguishable laughter by all the wise men who saw only humour in the immense earnestness of these people trying to maintain a railroad in a part of the country where nobody could live and nothing could grow, because of a barren soil and an inhospitable climate. Accepting the raillery in good part, the ridiculed gentlemen did not neglect to button up this Superior-to-Mississippi Railroad, that

was to be for many vexatious years one ward in the key to the railroad situation in the Northwest.

Nor were they unmindful of the only other enterprise in this section that could possibly interfere with their plans. They, too, had an eye upon the curious aggregation presently to be described, and known as the St. Paul & Pacific. But for the reverses that overtook the Northern Pacific, the actual ownership of that property which it acquired would have been asserted and changed into real possession. They did not, any more than the general public, at all grasp its significance or value as an independent property, or forecast the future that was already forming a coherent picture in the mind of Mr. Hill. What they were after was to stifle all possible competition in their territory. As it was, the Northern Pacific was able, by the rights which it acquired at this time, to enforce later its claim to valuable trackage privileges in and out of St. Paul and Minneapolis, terminal facilities, and a right of way north from Minneapolis along the Mississippi that grew to be of immense value, in fact indispensable to its development as a transcontinental line. How this came about will be told in its proper place, in the tale of the St. Paul & Pacific. From this point the Northern Pacific remained a steady and watchful enemy of other railroad enterprises in the Northwest; determined, according to the accepted code of that time, to acquire them or drive them into bankruptcy;

prevented only by its own financial collapse from assimilating every competing interest near its path. One of the bitterest drops in the cup of the able men who had built up that company and understood its possibilities must have been the knowledge that what threatened to become a rival interest was picking up for a song the materials by which its rivalry could be made real and dangerous; and that the sum required to take them away from it, which would have seemed a mere bagatelle either earlier or later than at this time of mortal stress, was wholly beyond the command of the Northern Pacific at the moment of its own life-and-death struggle.

To the outside observer, who did not know the inside facts of the situation, it seemed hardly worth while for a possible competitor of the Northern Pacific to consider any further venture in a territory already so well occupied by a company that had warily established itself, under a national permit, in a position from which it could be dislodged only with great difficulty. Mr. Hill thought differently. He had become a regular mine of information about the St. Paul & Pacific Railroad Company. This picturesque wreck he eventually decided could be made into a fine merchantman, more seaworthy and serviceable than the bigger and stauncher boats already flying the flag; and on it he ventured to embark his entire fortune, the whole accumulation of shrewd and toilsome years, to-

gether with all his hopes of future success and fame. For any proper understanding of his thought and his achievement, it is necessary to get in mind clearly the story and all the details of fact relating to the St. Paul & Pacific. This alone can bring the tale down to the daring conception, the startling act which was to reveal his genius to the world, as doubtless it helped to reveal it fully to himself.

## CHAPTER EIGHT

### THE ST. PAUL & PACIFIC

THE bankruptcy of the St. Paul & Pacific Railroad Company, in 1873, gave the signal for which Mr. Hill had been waiting, and fused his hopes and desires into a definite plan. Since this was the nucleus of his future fortune, the germ of that great railroad system which, under the name of the Great Northern, made him known all over the world, it is of considerable importance to state here all the facts up to date about the St. Paul & Pacific; what opportunities it offered, and what difficulties its acquisition and extension presented.

The detailed story of his conception of a plan to purchase the St. Paul & Pacific and of that plan's execution has never been told before. Most accounts published have been bare outlines, not always either accurate or unprejudiced. The one given here is uncoloured by opinion, and unassailable as to accuracy because it is composed largely from sworn testimony. Substantially every important fact stated in this connection, down to the organization of the St. Paul, Minneapolis & Manitoba Railroad Company, is vouched for by witnesses on the stand for Mr. Hill, against Mr. Hill,

or by Mr. Hill's testimony himself in the celebrated suit brought by Mr. Farley. The residuum of these inquiries, winnowed by the Courts, embodied in their decisions and supported by contemporary knowledge of events, may be relied upon as the absolute and irreducible fact.

The last chapter, contained a description of the large grant of lands in Minnesota by the Federal Congress in aid of railroad construction; and the acceptance of these and their transfer by the state to four railroad companies whose future fortunes were briefly summarized. The unrealized assets of the first and most ambitious of these, the Minnesota & Pacific, were to bolster up for a time another and more colossal failure, the St. Paul & Pacific. It is time to see when and how and why this latter came to be.

It was provided in the original act of Congress making the grants of land in the Northwest that if any of the lines specified were not completed within the time set—and all of them within ten years from the original date—the lands should revert to the United States. The state was as anxious to save the lands as any individual could be. In 1860, notwithstanding liberal favours to the companies, not a rail had been laid within the state of Minnesota. Therefore, in that year, the state enforced forfeiture of all the grants that had been made to the favoured companies. Some of those concerned

in the fortunes of the Minnesota & Pacific refused to give up; and procured, in 1861, a re-grant of the old rights and privileges. They believed that they could carry the thing through in some way, but failure brought a second lapse of these concessions. Still they were not finally baffled or beaten. Practically the same parties who had been behind this old Minnesota & Pacific organized a new concern under the corporate name of the "St. Paul & Pacific Railroad Company," having secured some modifications of terms from the state which they believed would open to them the way of success.

Why were they so persistent? Success, be it remembered, to all this procession of failures and their promoters, meant substantially one thing. These predecessors of Mr. Hill started from a point exactly opposite to his. All of them were bent on disposing profitably of some stock and getting possession of the land grant. They were willing to build the track, if they could raise money enough, in order to get title to the lands. Out of these latter and their stock interests they would make, they thought, snug fortunes; and the railroad was only the troublesome bridge to this end. As an end in itself, comparatively few people gave it much consideration. Mr. Hill was one of these. He wanted the lands earned, as a basis of credit to put the railroad into good shape; then the railroad would bring in new people, the new lands settled would make more business

for the railroad, and so on indefinitely, as actually happened. But in 1862, "The subsidy's the thing," was a perfectly sincere and honourable slogan, following the ideas and practices of the times, no matter whether the subsidy consisted of lands, or pledges of credit or advances of cash.

Enter, now, therefore, the St. Paul & Pacific Railroad Company; to which, March 10, 1862, the Minnesota legislature granted all the lands, rights, franchises, and privileges which it held from the defunct Minnesota & Pacific. The ten-mile stretch between St. Paul and St. Anthony (Minneapolis) was completed and running by June 28, 1862, being "the first stitch in the network of railways that covers Minnesota." The following year a further authorization of construction, with land grant, was made to the St. Paul & Pacific for a line down the Mississippi River from St. Paul to Winona. And again, in 1864, lands for building a railroad from some point near St. Cloud, seventy-five miles above St. Paul on the Mississippi, to the head of Lake Superior, were turned over to the same company. It is interesting to note that, at the very date when the Northern Pacific received its charter from Congress, the St. Paul & Pacific held under its charter the right to construct a total of 770 miles of railroad and to receive a total land grant of 5,184,000 acres. There had been a lot of lobbying at Washington and at St. Paul between representatives of the rival projects. The backers of both of them had yet to be

taught in the school of insolvency that business success in railroading must be sought through efficiency rather than legislative favours.

Already had begun that fearful and wonderful financing of the St. Paul & Pacific which has had few equals in railroad history. Its debt totals, insignificant though they would be now, were plutocratically startling at that time and in that latitude and longitude. The holders of certain special and preferred stock of the St. Paul & Pacific Company, under legislative permission, organized another Company in 1865 known as the "First Division of the St. Paul & Pacific," a wheel within a wheel, facilitating all sorts of manipulations. The company contracted with E. B. Litchfield, of Brooklyn, N. Y., who held 8,500 shares of these special and preferred stocks, to take over the lines from St. Anthony to Watab (Sauk Rapids) and from St. Paul to Breckenridge, with the land grant belonging to them. This was the cream of the property. He agreed to form this new company, called for convenience "The First Division," and to finish the lines taken over. As a matter of fact, the arrangement became a mere screen for much high-soaring and not a little subterranean financiering. It smoothed the way later to the conquest of the property by the Northern Pacific.

Long before this the Northern Pacific people had got busy with their troublesome rival. They had built their own line from Duluth to Moorhead, by way of

Brainerd, and had no mind to divide the field. There were, among the earliest advocates of a northern transcontinental route, more speculators, promoters, and traffickers in daring projects affected by legislation and the stock market than practical railroad men. The public wanted more transportation facilities, and was ready to make any sacrifice in the way of land grants and the voting of bonds in order to get them. A good many people wanted these lands and bonds, without being willing to give value received. What the government had done to aid the building of the Union Pacific sharpened appetites. Before a definite project was matured for the building of a northern transcontinental railroad, there were, as has been seen, two lobbies at Washington, one fighting for the scheme afterward known as the Northern Pacific and the other for that later issuing as the St. Paul & Pacific. Each was intent on securing for itself any legislative favours that might be going; and each was equally bent on blocking the schemes of the other. It was five years after the Northern Pacific was chartered before its friends were willing to abandon the fight for a big subsidy in the shape of cash or bonds and get down to real work.

The St. Paul & Pacific, being in an inferior position, was the first to feel the pressure of necessity. Long before the receivership, it had begun to disintegrate. The Northern Pacific, on the other hand, was at least a

tangible property. Its main line, as stated, was finished to the Red River in 1871 and to the Missouri before 1873. It had secured by lease in 1872 the whole line of the Lake Superior & Mississippi. Until the line of the St. Paul & Pacific was actually connected with the Red River, the Northern Pacific had the whip hand in the fight for the Red River trade, because it had the uncompleted extension line that was headed toward St. Vincent completely bottled up. The St. Paul & Pacific was in no position to make any effective resistance. Its main line and the branch line to Sauk Rapids were completed by 1871; but its money was gone, its credit exhausted, its business inconsiderable, its necessities pressing, its securities in the enemy's hands.

It will be recalled that one of Mr. Hill's partners in his arrangement for handling the freight of the St. Paul & Pacific Company at St. Paul was Mr. Egbert S. Litchfield. He had two half brothers, E. C. and E. D. Litchfield, who were owners of stock in the First Division Company. The Litchfields were the original contractors by whom the line from St. Paul to Watab had been completed in 1864. They represented interests in sympathy with or controlled by the Northern Pacific. Mr. E. V. Smalley, in his History of the Northern Pacific, says:

> The importance of St. Paul as the first great railroad centre northwest of Chicago was fully realized by the Northern Pacific

managers, and by controlling the stock of the St. Paul & Pacific Company they expected to be able to make its lines virtually extensions and feeders of their own road. They also appreciated the value of the then entirely undeveloped valley of the Red River of the North as a region likely to furnish heavy traffic in the future, and rightly considered that rich agricultural region as properly a part of the area of country which by its geographical position was naturally tributary to the Northern Pacific enterprise. They went so far in the execution of the wise plan thus early matured for controlling the lines chartered to be built from St. Paul to the Red River Valley and the Manitoba boundary as to furnish large sums of money and to direct the location and construction of a considerable portion of the St. Paul & Pacific system; but its realization was afterward frustrated by the financial troubles of the Northern Pacific Company, which compelled it to part with the stock of the other company.

Early in 1870 the Northern Pacific Railroad Company had purchased from Mr. E. D. Litchfield, of London, to whom the other Litchfield interests had been transferred, the capital stock of the First Division Company, carrying with it all property, rights, franchises, land grants—everything. It had already, as noted, secured the stock and franchises of the St. Paul & Pacific Company, and paid Mr. Litchfield with $1,500,000 of bonds of that road and $500,000 in cash. This was a good trade for the Northern Pacific. A little money went far in those days. The Northern Pacific had, after these deals, an absolute monopoly of the railroad situation in the Northwest. It owned both the companies by which every railroad enterprise in that section was controlled. To save appearances, the sev-

eral corporations maintained a nominally separate existence; but their boards of directors were not merely interlocking, they were identical. The following extracts from the report, January, 1871, of General George L. Becker, President of the First Division Company, illuminates the situation thoroughly:

> Since the date of my last report Mr. E. D. Litchfield, who has heretofore owned a controlling interest, has sold all the shares held by him to the Northern Pacific Railroad Company.
>
> The Northern Pacific Company, which had previously purchased the charter and land grant of the old St. Paul & Pacific Railroad Company (of which our lines were originally a part) has transferred the same to this Company.
>
> The Northern Pacific is thus the continuation across the continent of the St. Paul & Pacific, through the two branches of which it reaches its terminus on the Mississippi River at St. Paul, and there connects with the network of railroads extending all over the United States.

The power thus obtained was ruthlessly exercised. The Northern Pacific was greatly interested in getting a line built down the Red River Valley to handle the Manitoba business, and in getting a line of its own into St. Paul and terminal facilities there. The St. Paul & Pacific Company covered both grounds, either in fact or in right. It might also be used as a convenient medium for holding part of the property, if it should become desirable to let go of the rest, and to use as a basis for another bond flotation. Nobody gave a thought to railroad stocks in those days, except as conveying nominal title and so conferring control. Intrin-

sic value they were not supposed to have. They were the premium which promoters—though that word with its later content was then unknown—reserved for themselves and their friends. Construction was carried on by the proceeds of bond sales, after many palms had been salved in the process. The St. Paul & Pacific had not neglected any opportunities. The Branch Line began in a modest sort of way with three smaller mortgages issued at different times. Then, getting a little into the stride, it put out $2,600,000 of new and refunding bonds in 1865. But the year previous the Main Line had made one issue of $1,500,000 and another of $3,000,000. In 1868 there was a crop of $6,000,000. Then came the great stroke of business which fairly dazzled even the operators of that time. This was the contract made by one of these companies with the other, already referred to, that is a contract of some people with themselves, by which the First Division was to finish the unfinished lines, equip them, take them under lease, and get the land grant; against all of which privileges, or obligations—according to the angle of vision—it proceeded to issue, in 1871, a trifle of $15,000,000 of bonds.

This was a huge total, considering the nature of the security behind it. American investors would not have touched it. The bonds were disposed of through a firm of bankers in Amsterdam, in the big deal that placed these $15,000,000 of securities with the investors of Holland.

Enough of the purchase price was held back to pay interest on the issue for five years, in order that the holders might be sure of returns, even if paid out of their own principal, and the prosecution of the railroad work remain uninterrupted by financial squalls. When this and the commission charged for negotiating the loan had both been deducted, less than 50 per cent. of the cash paid in was left to apply to actual construction. There were many hands between the thrifty Dutchmen and the Minnesota prairie; and ultimately the bonds netted to their owners less than forty dollars on the thousand of face value. These bonds, defaulted and dishonoured, became seven years later the basis of the purchase and development of the property by those who knew how; and who were more interested in the business of railroading than in high-flying finance.

Out of the proceeds of these various transactions had been built some fragments of road, cheaply constructed and utterly incoherent as a railroad system. The property possessed by the St. Paul & Pacific and the First Division companies together included, at the time when they were finally submerged, a choice assortment of railway odds and ends. To the First Division, as the concern organized to tempt the foreign investor, had been assigned the lion's share. It had a line from St. Paul by way of St. Anthony (Minneapolis) to Watab (Sauk Rapids), a distance of about 76 miles; and another from St. Anthony to Breckenridge, a dis-

tance of about 207 miles. The parent company, the St. Paul & Pacific, rejoiced in a line running from Sauk Rapids to Brainerd, about 60 miles graded but not ironed, and a theoretical line from east St. Cloud (near Sauk Rapids) northwest to Glyndon, where it crossed the tracks of the Northern Pacific, and thence was supposed to run north down the valley of the Red River to St. Vincent or Pembina on the international boundary. When completed, this line would be about 310 miles long.

As a matter of fact, at the time of the general collapse in 1873, and thereafter until Mr. Hill and his friends came into control, the property was a pitiful heap of unrelated scraps. Only the first two lines mentioned, namely those from St. Paul to Sauk Rapids and to Breckenridge, were finished. They were operated, in a slipshod way, so far as the trifling local business seemed to warrant. The other and more ambitious lines, on which hung a big land grant, were patches of roadbed hung up in the air. A few miles of iron had been laid on the Brainerd branch; 35 miles from St. Cloud to Melrose; and 104 miles on the stretch north and south from Glyndon. But this latter piece was separated from the rest of the system, and depended for its business and its life on its connection with the Northern Pacific. A good deal of grading had been done elsewhere. In 1871 there remained to be completed 435 miles of the original system. In that year

some changes in the route first chosen were authorized by Congress and validated by the state; the chief benefit and purpose of this being the incidental reconfirmation of the land grant on which the promoters still hoped to hang more indebtedness. But not all of these lands had been duly entered and secured to the road, and their possession was an occasion of litigation for years.

The condition of the property was dispiriting enough to the representatives whom the bondholders sent to look it over. Grading had been done in hit-or-miss fashion. Iron rails, of course, were used. Large quantities of ties, bridge materials, and other property were scattered along the right of way. Nobody seemed to know to whom they belonged. Lawsuits usually assigned them to contractors or other private individuals. Only on the older portions of the main lines mentioned was there any business worth speaking of. The construction done on what was called the "St. Vincent Extension" was a joke. Years after this, when the property had passed into the hands of the new company, its Chief Engineer wrote to the General Manager, then Mr. James J. Hill, as follows: "I beg to state that I was engineer on the Branch Line during construction and tracklaying from St. Paul to Sauk Rapids, 1862 to 1867 inclusive; during which period the railroad company had much difficulty in building and operating the road from certain financial difficulties

not necessary to mention here, but which necessitated the purchase by the contractor of iron in small lots wherever he could purchase it cheap. Some of it being iron in use on other roads, it took five years to build the seventy-five miles of line to Sauk Rapids. The iron being purchased in small lots and of different manufacturers, caused the road to be covered when finished with from thirteen to fifteen different patterns of rail, which is exemplified now on the line running into Grand Forks, where thirteen different patterns can be seen in a distance of two miles of track laid with scrap iron from the St. Cloud line." In such fashion had at least the later built portions of the St. Paul & Pacific been constructed. Not much of value there but a right of way, a land grant if it could be saved, and a draft upon an unknown future. Its material condition was the twin brother of its financing. "Two streaks of rust and a right of way," they used to call it.

The stretch of track from Glyndon north and south was up in the air, beginning and ending nowhere. Mr. J. P. Farley, receiver of the St. Paul & Pacific, stated that in 1873, when he took charge, you could get over it with a hand car, but that a locomotive or train could not be run over it at all. In 1875 he reported as follows on the operation of this piece of line: "In December, 1873, and January, 1874, we ran a few trains over the Red River portion of our road, 104 miles long. We found the traffic so extremely light that we could not

make operating expenses, and we abandoned the operation of the line till the following May, from which time we continued the operation of the road until November of the same year, closing the season's business with a light profit above the actual expenses." Clearly a property which could at least earn its bread and butter in one direction, and which could give connections with St. Paul and the Mississippi River in the other, would be worth holding on to if it could be done without too much expenditure of ready cash, scarce in those days.

The Northern Pacific, which had still a couple of years' lease of life, was not ignorant of the situation or desirous of relinquishing the control that it had secured. Had not financial disaster intervened, nothing would have induced it to surrender virtual possession of an adjunct so valuable, and a potential competitor that the future must make so troublesome as the St. Paul & Pacific. But the Northern Pacific itself was already staggering to its fall. Eastern capitalists had lost faith in it. The small investor, once enthusiastic, now regarded the whole scheme as chimerical. After his fashion, he rushed from one extreme to the other. Under the plan of reorganization that was being mooted, the preferred stock into which Jay Cooke's bonds were converted hung flat at from twenty-five to thirty cents on the dollar. After 1873 times were hard, business dull, capital more than ever distrustful. Bankrupt

itself, the Northern Pacific not only could not come to the relief of the bankrupt St. Paul & Pacific, but it could not fulfil the terms stipulated on its purchase of the First Division Company. That stock was turned back to Mr. Litchfield, to reappear later. The St. Paul & Pacific defaulted on its bonds, and the subsequent foreclosure sale extinguished the rights of the stock on which the Northern Pacific had relied. The relations between the two systems were to be a matter fruitful of controversy and a thorn in the flesh to Mr. Hill for many years to come. They will reappear from time to time in their fitting places in this story.

Meantime there was every kind of friction. The Northern Pacific threatened to control the Red River business from Glyndon north to the international boundary line, or to destroy it. It threatened to parallel that line by building one on the other side of the Red River, and to do the same for the line from Sauk Rapids to Minneapolis. It worked to get different portions of the land grants belonging to the St. Paul & Pacific set aside. It claimed part of them for itself, and instituted litigation that dragged on interminably. Each one of its aggressive acts was a body blow to the infirm old enterprises grouped under the general name of the St. Paul & Pacific. They made any attempt to rehabilitate that concern seem hopeless against opposition which, even in its doleful days, was a powerful force in the Northwest; and the most powerful force

at Washington, when Northwestern affairs were under consideration, until Mr. Hill took a hand in the game.

It is now possible to trace with understanding the lines of what he himself forty years later called "the great adventure" of his life, as they took shape and grew in his brain into intelligence, purpose, and power. The events whose outline has been traced lightly through the obscurity cast upon them by the flight of years and the unsettled condition of everything in the Northwest in those times of daring, speculation, panic, and yet much underlying healthy growth withal, were converging toward a definite end. Mr. Hill was almost ready to take up the part that he was to play with such magnificent assurance and success, and that was, in turn, to fix and temper all his faculties and help to fashion him into the most notable man of his time.

## CHAPTER NINE

### THE GENESIS OF AN IDEA

SUCH was the property which, four years later, was to be acquired through purchase of its defaulted bonds by four men: James J. Hill, Donald A. Smith, George Stephen, and Norman W. Kittson. This was the seed from which sprang the Great Northern Railway system. The steps by which the transformation was accomplished, the difficulties that had to be surmounted, the genius required to bring such an enterprise into being and to steer it through the shoals of jealous opposition by rivals and material obstacles as well, to make of it a great property and not a basis for the issue of sham securities, have a real dramatic quality. The genius of the creative idea, the parentage of this daring conception, is of major interest.

There is not the slightest contradiction or conflict between the facts which assign the first notion of taking over the St. Paul & Pacific to Mr. Hill and those that caused the biographer of Lord Strathcona to assign precedence to him. For the two men looked at the matter from entirely different angles and, at first, with an eye to totally different results. A through rail connection with the Atlantic coast had become necessary

to the people of Manitoba and the country west of it. They expected Donald A. Smith to push the matter, on account of his official position and his connection with parliaments and high political influences. He saw that it was indispensable to the interests in his care and to his own advancement, possibly even to the maintenance of the place he had won in the community. It was clear to anybody but a blind man that there was, at this time, no such connection possible except by way of the Red River Valley and St. Paul. Moreover, a good part of the line was already completed, after a fashion. Mr. Smith knew that he could handle, through his government, the building of the Canadian link south from Winnipeg to the boundary. It was, therefore, the most obvious thing in the world that he should consider the possibility of filling in the gaps on the American side. But it was in this aspect that he saw it—as an end, and not a beginning. The St. Paul & Pacific might bridge the traffic gap between the Winnipeg country and the outside world. In that subordinate relation, Mr. Smith was curious about it, and early began to look into it and collect information as to the possibility of securing a control. Of its larger future, its effect upon the growth of the American Northwest and its possible expansion, he was at that date oblivious, as it was natural that he should be. In December, 1915, Mr. Hill said, in speaking of him, "Strathcona was a strong and able man, but knew little about and had

little to do with railroading." That tells the whole story.

About Mr. Hill's attitude and feeling there is no room left for doubt. The testimony of his intimate associates at this time is unanimous and positive. At what time the practical project of obtaining possession of the St. Paul & Pacific, and making it the nucleus of a great system and the means of development for an agricultural empire in the United States, first presented itself full-fledged, definite, concrete, to his mind, no one knows. He said that he could not fix such a date himself. It had not been a revelation, an inspiration, one of those sudden liftings of the veil that change in an instant human lives and history. It was a birth, and a slow and silent growth. Subconsciously his thought had worked upon it powerfully before he gave to the product a firm outline and a name. Gradually his earlier dreams and aspirations had turned to this new possibility, woven themselves unconsciously into the new pattern. From the moment when he made his first trip to Fort Garry, saw the quality of the country, understood what this black soil that lay heaped up beside innumerable gopher holes would do, and imaged the procession of immigrants who would fill these desolate spaces within the next generation, he understood dimly what was to be done. Destiny, though still half hidden, grasped him. The light brightened on the design with each passing year. When the St. Paul

& Pacific went to the wall, he knew that the hour had struck. He had already in his mind the outline of that creative thought which filled his active years and made him known everywhere as the "empire builder."

But there is better authenticated evidence even than the word of personal friends, whose recollection might have been influenced by the glamour that surrounds an astounding accomplished fact. Credit for the plan that hardened into purpose and found an outlet in act has been fixed by the final determination of the highest courts of law. Among other unique experiences, Mr. Hill enjoyed that of having the Supreme Court of the United States assign to him a property right in the origination of his great idea.

Mr. J. P. Farley had been named receiver by the court to take charge of the St. Paul & Pacific when it went into bankruptcy in 1873. He continued to hold that post, as well as that of General Manager of the First Division Company, until 1878, when it passed into the hands of the four associates mentioned above. Necessarily he had some inkling, in the later stages of the game, of what was going on. There were a thousand details that could not be looked into without letting the man who was managing the property know that something was in the wind. Mr. Farley was a man entirely without education, and devoid of experience worth mentioning in railroad matters; but he was not a fool, and he had a keen eye to the main chance. After the

purchase was completed and the new company organized, he suddenly woke up to the fact that a great thing had happened and that millions would be made out of it. He was grieved that he did not share the profits, though he had shared neither the conception nor the risks. It occurred to him that there was still a chance to turn a pretty, if not an honest, penny. He set up the claim that the idea of the purchase was his own; that he had suggested it to the associates, had coöperated with them in carrying it out and had received from them a promise of an equal share in the division of the stock of the new company. He, therefore, brought suit to compel the payment to him of the moneys, or the assignment of the securities he claimed.

The case was fought long and bitterly. Farley's fundamental claim was that he and his assistant, who took the stand in his behalf, had originated the enterprise, and communicated the project to Mr. Hill in 1876. He said that his interest was kept concealed because he was receiver of one railroad company and general manager of the other; and that he had been defrauded of his share in profits amounting, according to his estimate, to $15,000,000. This, it will be observed, goes right to the heart of the matter. Who originated the scheme? The original bill in the higher court was filed in 1880, only one year after the new company had come into existence, and two years after the purchase of the lines had been made. The facts

were easily ascertainable and the circumstances fresh in mind. Testimony and documents in this famous case, where everything bearing on the question was winnowed down to hard wheat, fill four bulky volumes. In the end, Judge Brewer, of the United States Circuit Court, decided it against Mr. Farley, his decision closing with this delicate sarcasm: "I think that Mr. Farley, as a receiver, did not fail in his official duty, and although such conclusion carries an imputation upon his recollection or veracity as a witness, it sustains his integrity as an officer."

Still not satisfied, Farley carried his case to the Supreme Court of the United States. The masterly argument of Mr. Hill's counsel, a treasury of facts relating to the great enterprise, unassailable because all established under oath in a court of law, was made in 1892. In the intervening twelve years the ingenuity and research of opposing lawyers, contending for so great a stake, could find nothing to break the force of the record, and the Supreme Court finally gave its quietus to the Farley legend by dismissing his case. In rejecting him as the author of the plan, it necessarily, though unofficially and indirectly, assigned that rôle to Mr. Hill.

There had been, of course, no question about it in the minds of those who knew him and were on the spot at the time. His earliest visions of a career in transportation; his work of twenty years, all going to trans-

late imagination into practical possibility; his entry into the Red River business; his partnership in the Red River Transportation Company; his arrangement with the St. Paul & Pacific that put him in charge of business at St. Paul, had all been educating influences and formative experiences. But the spring and fountain of inspiration were in himself. One of his most intimate friends testified in the Farley case in these words: "It (the project of securing the St. Paul & Pacific) became from day to day an all-absorbing subject with him. I used to tell him that he was getting it on the brain. He thought of nothing else." Mr. Griggs, one of his partners, said: "Mr. Hill was an enthusiast on the subject of the resources and future of the Northwest, so much so that he was often joked about it. He endured the facetious remarks made at his expense with philanthropic calmness, however, and pushed ahead steadily with his projects. His connection with the St. Paul & Pacific freight transfer agency no doubt first directed his attention to the possibilities of developing the Red River Valley country."

Another intimate friend, Mr. Hill's next-door neighbour for years, Mr. H. P. Upham, afterward president of the First National Bank of St. Paul, told of the origin of the scheme in these dramatic words—a personal touch which those who knew Mr. Hill would recognize instantly as carrying conviction: "From the time he first conceived it, he was possessed by the rail-

road scheme. He used to talk it at all times. He sat in the old club house holding Kittson in a corner and boring the plan into him with a threatening forefinger. He ate and drank and slept with it." Personal and legal records leave no doubt of the paternity or legitimacy of this offspring. But, for some slow-passing years, all that could be done was "to labour and to wait."

James J. Hill never had to learn to labour. He was born with an instinct and an appetite for it that he never lost. Waiting, however, was with him an acquired faculty. The years when he had to fit himself for the work at hand and the work yet to come; when he was making his way from a clerk on the levee to one of the most active and prosperous business men in the little city where he had cast his lot; and above all when he must wait, first for the possibility of moving toward the realization of his great dream, and second for an opportunity to realize it even if funds should be forthcoming, were in one sense the hardest, and in another among the brightest of his life. A man of sanguine temperament and restless activity, he chafed to see the slow months and years pass without perceptible progress toward his golden goal. Yet the glow of its promise, shining ever a little more brightly, a little nearer, fed hope and compensated for many disappointments. The five years from 1873 to 1878 had few events that brought him into public prominence.

But they were the seedtime from which a splendid harvest sprang.

It has been seen that, early in the seventies, the maturing conception, as a practical working affair, of a great transportation enterprise in the Northwest, built on the ruins of the old St. Paul & Pacific, focussed to a definite point the more or less vague but always persistent ideas that had dominated his subconscious self ever since, as a boy, he had left home with the thought that somewhere in the Orient, on the waters of the rivers that had drawn as a magnet the ambitions of Alexander and Pompey and Napoleon, he might introduce a modern system of transportation. Henceforward it was to be no nebulous creation of a young man's fancy, but the perfected scheme of the strong, determined, and tempered mind, that beckoned him on. But it was no time yet to act. So far as the railroad itself was concerned, its affairs showed an utter *impasse*.

Mr. Hill, after acquiring and furnishing not later than 1874, some of the information desired by Mr. Smith, did not rest there. He had the matter always in mind, and went to the extent of estimating at that time the probable cost of purchasing these railroad bonds. But, as he himself says, "There was a time when everybody waited." That was hardest of all for him. The stockholders had a strong position, and it was believed that the mortgages, under conditions contained in them, and

the utter confusion of a perfect mosaic of unintelligible and contradictory legislation by both Congress and the Legislature of Minnesota concerning the various land grants, could not be foreclosed in less than eight or ten years. By that time the land grants themselves would be hopelessly lost. The time was full of hardship for the Northwest. The grasshoppers had begun their memorable invasion by appearing in the western part of Minnesota in 1873. In the three following years they destroyed the crops all over the southern portion of the state. Farm mortgages were foreclosed; farmers moved out of the state; it was no time for ambitious developments. The receiver of the St. Paul & Pacific reports for the month of June the magnificent earnings of $353.95, which fell in July to $305.83. That side-splitting record was filed with a railroad commission just created, which had hereafter also to be reckoned with. The following extract from its report for 1874 is a thumb-nail sketch of the railroad situation: "Of those companies having lines wholly within the state, two are in the hands of receivers, three others have defaulted in interest upon their debt, and two have resorted to funding interest for a term of years; while the remainder of the roads within the state have maintained their credit by continued assessments upon their stockholders in one form or another."

The single bright spot on the horizon hovered over the future of the particular system whose troubles Mr.

Hill was following with an interested eye. In 1874 the government of the Dominion of Canada resolved to go ahead and complete a line of railway from Winnipeg to Pembina, to connect with the St. Paul & Pacific, when the latter should be able to get there; and the sum of $650,000 for that purpose was included in the estimates for that year. The first sod on it was turned in the month of September. Canada was also prepared, in order to secure this indispensable outlet for Manitoba, to negotiate with the Dutch bondholders, if necessary, and this was another thorn. But Donald A. Smith was in a position to put a spoke in that wheel, if occasion should call for it.

Not for a moment did Mr. Hill permit his big idea to possess him to the extent of persuading him to neglect the ordinary business of life. It was, indeed, his beacon and his goal. But meantime he was, as has been seen, one of the busiest men in the Northwest. Whatever was to happen, he was broadening and deepening the foundations of his career as a successful man of business. In 1875 his fuel interests had so extended that he formed, in connection with others, the Northwestern Fuel Company, which became one of the largest concerns in its line in this country. He was attending carefully to the freight and forwarding business. In 1876 the business of the coal company ran from 20,000 tons upward; and as the total coal purchases of St. Paul, Minneapolis, and

Stillwater at this time were about 18,000 tons, he must have been up and doing all the time. A letter dated May 1, of this year says that his shipments of flour will average "about 1,000 barrels of flour per day right along." Little incidents of his business life about this time show the quality of the man, and his keen grasp of both situations and methods. He had salt for sale in his warehouse. One day a boat came in with a cargo of this commodity for sale at cut prices. He looked it over, to be sure of the quality; then, instead of meeting the cut, he bought the whole stock himself, got it out of his way, and kept his market. He wrote to a customer, "Whenever your freight is delayed at this point over night, I shall be satisfied to lose your business." In April he let a contract for a propeller to be used in the Red River business, and before the year was over his company had seven steamers running. One of his diaries notes the offer of a person to give him $10,000 in stock for assisting in placing $100,000 of stock in a mine. His comment might be placed at the head of the chapter of his financial management of his railroad system: "Informed him that I would oblige in any convenient and honourable way, but was opposed to *stock jobs* on principle."

In this day of stenographers, typewriters, and efficient correspondence machinery, the work that he did alone looks appalling. Volume after volume of letterbooks is filled with copies of letters all written by his own hand.

The manual labour is almost as impressive as the range and diversity of the subjects with which they deal. He travelled a great deal, visiting agencies of the transportation companies in which he was interested, looking after business, and getting into personal touch with customers. He was Secretary of the State Agricultural Association. He had a love for fine horses and a thorough knowledge of them, and took special interest and an active part in the management of the Driving Park then established in St. Paul. He kept in close touch with political affairs, both as a citizen and as a student or the railroad situation, which was surrounded by a labyrinth of hopelessly tangled grants, concessions, withdrawals, extensions, conditions, amendments, and repeals, so that nobody knew quite where any railroad enterprise stood. But the most striking thing disclosed by the voluminous correspondence of these years is the familiarity with conditions and the grasp of details displayed in relation to almost every kind of business. It deals with the quality and fuel value of different coals, with changes in the anthracite combinations even then existing in both East and West, with public and gas contracts, with boats and machinery, with prices, rail and water routes, freight rates, with every aspect of the business life of his own community and its relation to the outer world.

Mr. Hill's notebooks of the year 1873 show how busy he was with his private matters, and how alert mentally

as well as physically. Here is an entry of the departure from St. Paul of the first through train to Chicago over the West Wisconsin Railway; here a note of the agreement with Mr. Kittson to pool the earnings of their three boats and divide the profits equally; here a memorandum that Donald A. Smith passed through on his way to Ottawa; and here an entry of the modest celebration of the sixth anniversary of his wedding. Most interesting are the notes and lists of books read or to be read. They cover the whole early history of the Northwest, and other subjects on which any well-educated man would desire to be informed. But the most characteristic fact is that only those by the highest authorities and only the best editions of them are entered. Here, as always, Mr. Hill had no time to waste on any inferior subject, man or book. Only the best was of value to him. His mind had unerring selective power, and provided him with the best in abundance, and with that alone.

There was almost nothing that his mind did not touch, nothing touched that it did not grasp, nothing of any possible future value that his amazing memory did not retain. That memory passed beyond a personal characteristic and became a business asset. Throughout his life it was a marvel to all who knew him. The books that he mastered as a boy he never forgot. He could repeat at pleasure pages from Byron and Lalla Rookh, reel off Father Prout at length with

gusto, and restore from memory the substance of "Plutarch's Lives." Like Lord Macaulay he had a prodigious faculty for retention and recollection of every kind of fact. Many years later, when he had acquired a notable herd of blooded cattle, he would give offhand the pedigree of any one of them for generations back. Engage him in a discussion over proposed regulation of freight rates about the year 1900, and he would break out like this: "Why, our average freight rate now is so and so, while on the Breckenridge Division in 1879 the rate on third-class freight was so and so, and on the Midland Railroad of England it is so and so"; and continue this until his listener failed to follow him at all. His engineering department would spend some weeks in preparing a blue print of a proposed change in the freight yards at a point somewhere out on the line, and submit it to him before going at the work. They had found that it was not good for one's health to omit that preliminary. He would give a casual glance at it, take his pencil, draw some lines on it and say, "You want to put this track over there, and change this switch to work that way." Maybe he had not seen the place for months, and had not looked at it then with any reference to future developments. But the engineers say that a careful subsequent comparison of the plans with the location invariably showed that the alterations would add to convenience and efficiency in operation. Phenomenal memories and phenomenal

insight and foresight occur from time to time in the careers of conspicuously successful men. But they rarely meet in a single owner; and it may be doubted whether they have been all possessed in modern times by any man to the same extent as by Mr. Hill. Without the manifold and varied powers already so well in evidence, the idea whose genesis has just been traced could not have become the master key before which all doors were to open wide.

## CHAPTER TEN

### THE IDEA TAKES FORM AND SUBSTANCE

THE original bondholders of the St. Paul & Pacific, as has been stated, were mostly burghers of Amsterdam. Looking at the map of America and cajoled by the vast spaces which it seemed that these lines were going to conquer, and by the glowing promises of the prospectus, they had put their money into the enterprise; relying also on the promises of the not too careful banking house that had placed the bonds. When mortgages fell due and were dishonoured, they were appalled by the revelation of actual financial conditions. From foolish expectation they passed to the extreme of unreasonable despair. They believed that there was nothing to be done now but send good money after bad, or wait and hope that a few gulden would drift back to them some day in some fashion. They had an opportunity to save themselves; but who can blame them for seeing in it only a lure to enlarge the total of their losses? When the court appointed a receiver for the St. Paul & Pacific, in 1873, it authorized the sale of $5,000,000 of debentures to secure the completion of the branch to St. Vincent by December 3 of that year, to save the land grant. Neither the directors of the road nor the Dutch

bondholders were able or disposed to furnish the money. The receiver actually got $100,000 to spend.

The bondholders, including the partners of the Amsterdam banking house through which they had dealt, organized a committee of their own members to act for them, which will appear throughout this time and until the conclusion of all negotiations as the "Dutch Committee." They selected the firm of John S. Kennedy & Co., of New York, to represent their interests in the United States; and afterward gave Mr. Kennedy power of attorney to act for them. In 1873 Mr. John Carp, one of the members of this committee, came to the United States for the bondholders, visited St. Paul, spent some weeks there, and went over the property. Obtuse as he was, he saw its possibilities. But neither he nor any one else could devise a scheme for realizing these without more investment. The report that he made to the Dutch Committee in 1873 simmers down to that; and is the kernel of a much longer report and scheme of reorganization presented by him after a second visit in 1876. As the bondholders resolutely refused to part with more cash, and could hardly be persuaded even to surrender coupons from their delinquent securities, these efforts were necessarily fruitless. The principal importance of the Dutch Committee and Mr. Carp is that one was a witness to the intrinsic value of the property, and the other a means of transferring control of it to astuter brains and hands more skilful.

Its future had not seemed so desperate even to Mr. Carp, who said in his earliest report, after the most superficial examination and with little or no practical knowledge of the country: "In the meanwhile, it has already appeared with great probability that the mutual relation of the different lines operated by this company is interwoven to such an extent, and that so many lawsuits between those who are interested in the various parts shall have to follow, that a consolidation of the property into one whole shall appear to be necessary. Competent judges have already expressed the opinion that these three lines (Main, Branch, and St. Vincent) can only exist profitably when they are managed by one company and operated for the benefit of all." One of these "competent judges" was Mr. Hill, who never had any other idea for a moment, and who kept his eye on Mr. Carp and everybody else who showed an interest in the future of the property. In a deposition General George L. Becker, President of the First Division Company, said: "Deponent denies that the shares of the capital stock of the St. Paul & Pacific Companies are of no actual value as property, and says that in his judgment they are of great value though precisely what value, owing to the contingencies that affect it, it is impossible for deponent to state." That, with the exception of the words, "of very great value," was the opinion of everybody else about not only the stocks but the bonds of these companies, with a sinking scale of

appreciation for the five years from 1873 to their purchase in 1878.

The first step, of course, for Mr. Hill, from the moment that his thought, taking form and substance, sought to find realization in action, was to secure the coöperation of men able to help. It was a nearly hopeless undertaking; both because men with the necessary means and influence were scarce in the raw Northwest in those days, and because nearly everybody regarded his notion as rather worse than chimerical. So he began with what material he had. Naturally, he turned to Kittson first. He was his partner, he had some means, and he knew the country and its business thoroughly. While Norman W. Kittson was agent of the Hudson Bay Company, he was obliged to be absent a great deal of the time, during which Mr. Hill had transacted his business and kept his accounts for him. He knew the tireless energy and scrupulous fidelity of the man. Afterward he had seen him edge into the Red River transportation business until Kittson had felt it wise to take him as a partner if he did not wish to be bested. In this company, later on, Kittson held $75,000 worth of stock and Hill $15,000 worth. Here he acquired a more intimate knowledge of Mr. Hill's sagacity and of the soundness of business plans that looked more than venturesome in their inception.

This railroad scheme seemed wild to him; but at last

he was won over, if not convinced. Mr. Hill "bored away," and the deadly forefinger got in its work. Kittson decided that he, too, would take the plunge. But in his heart he was not over-sanguine about it. He relied on the man rather than on the idea; and probably thought that, though it might not turn out the brilliant performance which the younger man dreamed of, it could doubtless be made profitable, as a trading proposition, if they could handle and hold on to it. His reticence about it for four or five years during which Mr. Hill had it first in his thoughts and conversation is proof that he was a rather unwilling convert. General Sibley, who was at that time perhaps the most prominent and influential man in the state, of which he had been the first governor, and who was intimately acquainted with Kittson, said afterward: "He did not say a word to me about his contemplated participation in the purchase of the railroad bonds, and I only learned of it after the deal had been consummated. He said one day that the reason why he did not tell me of the plan was because he knew I would endeavour to dissuade him from it. 'You may not know, Sibley,' he said, 'that everything I had in the world was risked on that; an enormous risk at my time of life, and I did not dare to tell you of it.'" Not only General Sibley, but every other friend he had in the world, would have tried to dissuade him from what they would have regarded, had they known about it, not as a

gambling venture, but as outright folly if not sheer madness.

Of the second man to become interested in the idea, Donald A. Smith, the Lord Strathcona, covered with imperial honours, who died in 1914 at the age of ninety-four, still vigorous enough to take his place daily at his working desk, a brief sketch was given in a preceding chapter. By this time both Mr. Hill and Mr. Kittson had become well acquainted with him. He was already quite a personage, having held the office of Chief Commissioner for the Hudson Bay Company from 1871 to 1874. Since 1869 he had been familiar with the country. Since 1870 he had known and appreciated Mr. Hill. And he had his eyes fixed on the other side of the shield; the possibility of development not on the American, but on the Canadian side of the border, where his interests were. The Canadian Pacific idea was in the air and the first charter for it was granted in 1873. It amounted to little as yet, but it cast its shadow before. It was to have a land grant of 50,000,000 acres and a subsidy of $30,000,000. Until it materialized, it would be imperatively necessary for the people of Winnipeg and the people of the territory about and beyond it, already beginning to be settled, to get direct rail connection with the outside world. It could not materialize at all, could not get construction material, until that connection was supplied. There was but one way. Canada must build a line

from Winnipeg to the border, and connect there with some line built through the United States to St. Paul. There was only one such line projected, and it lay partially completed and financially ruined. Obviously the future of Rupert's Land, governed by the Hudson Bay Company down to 1870, was tied up, willy-nilly, with the lines that the receiver was muddling over in St. Paul. That company had some 9,000,000 acres of land up there, whose settlement and value depended on railroad connection with the outside world. These were the considerations that had counted most to make Mr. Smith an interested partner in the scheme. What might happen in the way of American expansion westward, and what were the possibilities of such a transportation agency as a future railroad system, were matters to which he gave less thought, because at this time they were less interesting to him. His aims were tangible and immediate.

Late in 1874 he was passing through St. Paul, and availed himself of the opportunity to talk with Mr. Hill and Mr. Kittson. He knew them well by this time, and had been brought into frequent business communication with them by common interests in the Northwest. He requested them to get information about the property, land grant, equipment, and debt of the companies which, for convenience, may still be designated by the single name, "St. Paul & Pacific." That information Mr. Hill had been collecting every-

where. He seemed to absorb it from the very air. The hunt was on. It was still a long cry to the kill; but here was a third party whose interests made him inevitably an associate, whose connections would be valuable in rounding up the necessary financial assistance and taking care of the portion of the new line to be built on Canadian territory, and for whom geographical and political argument coincided with the hope of possible profit.

At first, however, Mr. Smith was not a convert to the plan to purchase, which, to him, seemed illusory. He wanted to find out who were the owners of the bonds of the railroads, and to see if these parties could be persuaded to put enough more money into them to give Winnipeg its rail connection. He learned that there was no hope of that. The Dutch bondholders had sent a representative over and received the report already quoted. It was not a hopeless document, read in cold blood to-day, but the revelation it made of how money had been obtained and wasted on work ill-done stirred the bile even of phlegmatic Holland. They swore that they would not put in another dollar on any terms.

Thus baffled in his first idea, Mr. Smith had progressed far enough in 1874 to reach the following opinion, stated in his own words: "Failing to get the road through in any other way, I should have been glad to induce others along with myself to take it up, if it

could be got upon such terms *as these gentlemen thought it could be obtained.* The stock was looked upon as valueless, and that there would be no great difficulty in acquiring it; then it was to get the bonds—a majority or controlling interest in the bonds—on the best terms on which they could be got, which I believed would be at a very low price." The words italicized here, but not in the original, are proof positive that Mr. Hill had already investigated the details and terms of the possible transaction. For Mr. Kittson is on record as saying that he knew very little about it, but followed the lead of Mr. Hill, who did know, and whom he trusted implicitly. The idea of buying in the St. Paul & Pacific system entire had existed, large and whole and luminous, in the mind of Mr. Hill; had become, as his friends well remembered thirty years afterward, a sort of obsession with him. They regarded it now as a part of the "romancing" in serious matters that with him was temperamental; the fatal weakness of the weak, the unconquerable strength of the strong.

External circumstances and collateral activities had now begun to make the time seem more propitious for such a venture. The Fates themselves, so long besieged, showed a less frowning countenance. The Red River Transportation Company, which was another name for Hill and Kittson, was increasing its business and endeavouring to improve its position. In 1875 a rival line was established, which lasted but four

months, and their boats were bought at the marshal's sale by the old firm that continued untroubled to do business at the old stand. It had built a little railroad, fourteen miles long, from Crookston to Fisher's Landing, on the Red River. In this way it could send and bring freight by the Red River to and from Fisher's Landing, with a direct rail communication to St. Paul. But that involved shipping it for some part of the way over Northern Pacific trackage. In 1875 these two gentlemen made another shrewd move. Under the names of friends they had a new railroad organized, to build a connection from the St. Paul & Pacific that would let them in by that line to Fisher's Landing, and so give them an independent through line. But the financing, which Mr. Smith had undertaken, proved to be too difficult, and the project was abandoned for the time.

In August, 1875, the Northern Pacific system was sold at foreclosure, and reorganized by a committee of the bondholders. It was to be expected that, from this time, it would interpose an opposition more effective than it had been able to make during the last few years of helplessness. Also, there were other fishers on the shore of the promising pond. The Litchfields succeeded in getting the consent of the Dutch Committee and other bondholders for a reorganization of the St. Paul & Pacific according to a scheme which they had matured. It was really the

most dangerous moment in the life of Mr. Hill's plan; for if this reorganization had gone through, his opportunity could have come again only on very different terms, if it ever came at all. But the Litchfields no longer had unlimited credit, their plan involved the floating of a big issue of consolidated stock which could not be placed, and it provided that if its terms were not fully executed within twelve months, either party could withdraw. It fell through because ninety per cent. of the bondholders did not deposit their bonds, as required; but it was a warning signal of what would happen when times became easier, and the development of the Northwest, even under the present depressing conditions, became more fully known. Part of the St. Paul & Pacific system was now in a position to become self-sustaining, by virtue of the Manitoba business that it carried, from which Mr. Hill's boats were taking their toll. For its ninety-seven miles of track in the Red River Valley it reported net earnings of more than $8,000 for the first eleven months of 1875. The receiver, in congratulating himself upon this showing, says: "We expect to control over our own line the entire traffic of Manitoba by running in connection with a daily line of boats terminating at Fisher's Landing." This was Mr. Hill's idea, and he had foreseen something of the sort from the moment when he personally went into the Red River business. He had actually brought the combination about, as part of

his own far-reaching plan. It is interesting to note that, at this time, three years before he acquired any real interest in the property, it was started along the line of its first successful operation and of its future development by the shrewd but unsuspected direction of the one man who was able to look ahead and forecast its future.

In 1876 the plan for getting control of the St. Paul & Pacific properties began to appear at the same time urgent and practicable. From 1873 to 1876 inclusive, only eighty-seven miles of railway were built in the state of Minnesota. Therefore, the lines already in operation increased their business, and new settlement began to demonstrate the need of extensions. The company had erected a new passenger station in St. Paul and, by filling in low lands for a thousand feet along the Mississippi, had formed the nucleus of a terminal system which alone would be worth in the future more than the whole property was then. People were coming in and business was growing; not merely now as an adjunct to the Red River trade, but as a part of the growth of the Northwest itself. The receiver of the road wrote, in June, "The emigration to the main line continues without apparent abatement, and the number of prairie plow teams at all points west of Willmar is perfectly astonishing." Mr. Carp, who made a second trip to this country in behalf of the Dutch Committee, very weary of holding securities that brought them no return but requests for more money, reported in 1877: "The country between Glyndon and

Moorhead and north of those places, and more than twenty-five miles in width, is very fertile, in which, during the last year, important farms have been started." It was clear that capital would not neglect much longer a mine whose outcroppings were becoming plainer to the naked eye every year. Moreover, the panic of 1873 was now in the background, confidence was partially restored, capital was ready for new ventures, and the fictions about the unpromising character of the Northwest as an agricultural region were pretty well dissipated. Something was going to be done; the only practical question was who would get the opportunity.

The Litchfield agreement, just referred to, both stimulated activity and opened a way for it. This agreement for the first time brought all the parties who must be dealt with by a purchaser into a common fold. It required the bonds of the railroad to be deposited in Amsterdam, London, or New York, so that they were now where they could be handled as a whole. It was assented to by the Dutch Committee and by the First Division Company. The bondholders, under the plan of reorganization, would have direct management of the property. It required 90 per cent. of the bondholders to give their assent to all the conditions within a year. If that happened, then the reorganization went into effect and the property could never again be obtained on any terms that Mr.

Hill and his associates could hope to meet. On the other hand, the legal obstacles to an actual and immediate movement to get possession of the property and all the assets were cleared away just at this time.

As a result of the difficulties in which other railroads, as well as this one, found themselves and by which all the bankrupts stood to lose their cherished land grants, an act was passed, March 6, 1876, making it possible to foreclose a mortgage on a land-grant railroad without destroying the immunity from taxation of its granted land; to all of which had been attached originally the condition that such immunity should last only "until sold or contracted to be sold." This end was attained by authorizing the purchasers "to organize as a corporation, with all the franchises and exemptions of the original company." This was nothing less than the removal of a mountain from the path. Nobody could have been found, probably, to furnish the necessary funds unless the land grants were a part of the security. As a matter of fact, the best and real security was the roads themselves, and their assured future as carriers. Mr. Hill knew that. But moneyed men in London or New York not only could not believe it, but they could scarcely credit the man who made such a statement with honesty of conviction. Before they hazarded a dollar, they wanted land as a basis for mortgage and other bonds. Up to this time it had been practically impossible to organize a new company to take over

the old properties without forfeiting those lands by the very act. Now such a proceeding was specifically authorized by law. It was, indeed, time to get busy.

There was not an atom of available fact bearing on the proposed transaction which Mr. Hill had not mastered. He had familiarized himself with the condition of the road and the details of its working. He had at his fingers' ends all the legislation in connection with construction and land grant. He knew exactly what had to be done in order to make a railroad system and to finance it. He had made careful inquiries from time to time into the market value of the discredited bonds, in so far as they could be said to have a market. He knew exactly the probable figure that would have to be paid, the amount of money required, and had in mind a plan for raising what would have to be provided after control had been secured. Ever since 1873 it had been one of his tasks to accumulate and arrange information on this subject and to keep it brought down to date. Here are the words in which he himself summed up his activity during this interval: "I commenced to get all the information that I could find, copies of the mortgages, of the complaints, and paper books published in connection with the lawsuits, records in the court, and such information as I could gather from parties who were likely to have information as to the situation in Holland, as to the situation with the bondholders, and their relations to the Dutch Com-

mittee, the position of the several lawsuits, the grounds, so far as I could learn, upon which the lawsuits were brought, and with counsel discussed the merits or probable merits of those cases." Donald A. Smith said that the two of them met frequently in 1874 and 1875; that "we repeatedly talked the matter over, and he appeared to have a perfect knowledge of the whole thing."

The critical moment had come. Mr. Hill had some business to transact at this time with the Canadian government, in relation to the carriage of rails to Manitoba for its new line; and he left St. Paul for Ottawa, March 17, 1876, having prepared first to see Mr. Smith and arrive at something definite if possible. Up to now everything had been in the air, though the nebulous idea had been concentrating steadily toward a solid centre. Mr. Smith believed that he could interest some of his friends in London in the enterprise. He and Mr. Hill breakfasted together "in a little cottage back of Ottawa," and Mr. Smith finally told Mr. Hill to go back home and see at what price the Dutch bondholders would dispose of their holdings. Nobody knew yet what attitude the Dutch Committee would take or what price they would ask. But at last somebody believed that the money necessary to carry through the scheme might be raised. The "Bank Cottage" interview separates definitely the time of planning from the time of action. Meeting in Chicago, on his way home, with one of the friends to whom he had for years

talked of his scheme, Mr. Hill burst out, the moment he saw him, with, "Donald A. Smith is ready to take hold." He had already ceased to handle steamboat business outside of his own, and in June he gave up his arrangement for handling railroad freight in St. Paul. Bigger things were in prospect. The waiting time was over.

Three men were now ready to take up the plan and to stake their future upon it. But that was not enough. The outstanding indebtedness of the St. Paul & Pacific system aggregated nobody knew how much, but a huge sum. Perhaps it was as well none of them knew what developed later, that it aggregated about $44,000,000 in all. Bold as they were, that would have been something of a dampener to their courage. What they thought, and what proved true, was that the outstanding bonds could be bought at a low figure. There was little market for them at this time even at the prices to which they had dropped. Worse than this, they were the occasion of continual demands on their holders for more cash. To be rid of this would be pure gain. But even if the buyers drove a sharp bargain, what was to be done with the property after they got it? It was, as has been seen, in unbelievably bad condition. Its land grant was saved again and again only by eleventh-hour extensions of the time limit, granted by legislators who hung desperately to the slim chance that, by showing lenience, they might eventually get, by some miracle,

the railroad that the people wanted and needed, instead of the lands that they did not now need and that would be nearly valueless without it. And to meet the especial desire of Mr. Smith for a line to Winnipeg, which was also indispensable to the immediate development of the road into a profit-earning carrier, a large amount of construction must be done, for which the new owners would have to provide funds. Where were these to be got? A fourth associate must be secured who had money or the confidence of men of means; who either was the rose, or lived near the rose. Mr. Hill knew, and the others had taught themselves to believe, that they had to seek for credit as well as for cash. If they could handle the purchase, he was convinced that a line of credit which should enable them to finance the new concern at the start would be enough to put it on its feet and enable it to finance itself. Where was the person through whom this credit or cash or both could be procured? The man to whom they turned was Mr. George Stephen, afterward as well known in the British Empire under the title of Lord Mount Stephen as Mr. Smith was under the title of Lord Strathcona.

Mr. Smith, by virtue of his position in Canada, had a large acquaintance with men of means in Montreal, in London, and in New York. His first idea was to obtain the needed support in one of the two latter places. He had for years confided his plans, and now

turned for advice and coöperation, to this friend who here comes into the story. In the final event Mr. Stephen's influence carried far in completing the successful arrangement for the sinews of war. It is interesting to note the resemblances in the early lives of the men who were to be so closely associated and who were so different in personal qualities and in environment. George Stephen, born June 5, 1829, was the son of a carpenter of Dufftown, Scotland. He was educated in the parish school, served for a season as herd boy on the glebe of Mortlach, and then was sent to Aberdeen to learn the drapery business. One day a customer from Montreal noticed that the clerk signed the order "George Stephen," and learned by a few inquiries that the boy was his cousin. He was taken to America, became afterward a partner in the firm, and later turned to finance and to the development of Canada. In 1871 he was elected a director of the Bank of Montreal, of which he became president in 1876.

At this time, therefore, his mere counsel on such a project as these gentlemen had in mind was of no inconsiderable assistance. Since three of these four associates not only came to great wealth but afterward achieved world-wide fame and the highest honours that the societies in which they lived could confer, it is worth while, in passing, to glance at the light in which his labours appeared to the last of them in retrospect. On being presented, in 1901, with the freedom of the

City of Aberdeen, George Stephen, then become Lord Mount Stephen, used the following words, in response, which might have come from Mr. Hill himself, and are in curious contrast with modern ideas of the handling of youth, and the conditions that promise most for its future: "Any success I may have had in life is due in a great measure to the somewhat Spartan training I received during my Aberdeen apprenticeship, in which I entered as a boy of fifteen. To that training, coupled with the fact that I seemed to have been born utterly without the faculty of doing more than one thing at a time, it is due that I am here before you to-day. I had but few wants and no distractions to draw me away from the work I had in hand. It was impressed upon me from my earliest years by one of the best mothers that ever lived that I must aim at being a thorough master of the work by which I had to get my living; and to be that I must concentrate my whole energies on my work, whatever that might be, to the exclusion of every other thing. I soon discovered that if I ever accomplished anything in life it would be by pursuing my object with a persistent determination to attain it. I had neither the training nor the talents to accomplish anything without hard work, and fortunately I knew it."

This should be a man after Mr. Hill's own mind and heart. When these two get into double harness, something may be expected to happen. But it was a long

time after the plan was moving toward form and fruit before Mr. Stephen actually came into the arrangement. The first idea was to get the required support through Sir John Rose, who was one of the Governors of the Bank of England; through the banking firm of J. S. Kennedy & Co., of New York; through any of the moneyed men or representatives of moneyed men who could be reached. In putting out feelers in these directions Mr. Smith was very active, and he consulted privately about it with Mr. Stephen. But Mr. Hill himself did not meet the latter until 1877. Sometime between March and May of that year, the different parties to the meeting could not fix the month exactly, after much progress had been made in the practical working out of a plan to deal with the owners of the property, and to tie up some of the thousands of loose ends that had to be gathered in and fastened before it would be safe, Mr. Smith wrote asking Mr. Hill to meet him in Montreal. There Mr. Hill was introduced to Mr. Stephen. He had had no knowledge of the latter's connection with the Bank of Montreal, nor any idea that he would personally come into the railroad project. The suggestion was that Mr. Stephen was about to go abroad, and that he might be able to interest some of his powerful friends in England. He thought that they might be willing to advance money on the security of the bonds still to be bought from the Dutch holders. At this meeting they reached a positive decision that they

would try to get the property by buying its defaulted bonds and foreclosing on them. Mr. Stephen himself said of this meeting, when testifying in the Farley case: "Mr. Hill explained to me then more fully the position of the property and the method of acquiring it. It was decided that Mr. Hill and Mr. Kittson should try to ascertain the price at which the Dutch Committee would sell their holdings of the bonds. It was understood that if we succeeded in getting the Dutch Committee to agree to take the price for the bonds that we had determined upon, we should endeavour to find the money in London to pay for the bonds." This was the first outline of a practical scheme; and this was the scheme that the parties first endeavoured to carry out. In September of the same year, 1877, about the first or second, Mr. Stephen was called to Chicago by business for the Bank of Montreal, of which he was then president. Together with Mr. Smith and Mr. R. B. Angus, the General Manager of the Bank of Montreal, he ran up to St. Paul, and Mr. Hill took them on a trip over the railroad that was becoming so interesting to them all. This journey produced an effect upon the mind of Mr. Stephen and upon the future of the plan which was scarcely suspected at the time. The following interesting confirmation of that point is supplied by Archbishop Ireland: "During a visit to London in the year 1899 it was my privilege to meet Lord Strathcona several times and to converse leisurely with him of men

and things in Minnesota and Manitoba. The following incident that impressed Mr. Stephen and possibly converted him, he related to me twice. On a special train Mr. Stephen, Mr. Smith, and Mr. Hill left St. Paul. All went well at first. Between St. Paul and Litchfield there were settlers and villages. But beyond Litchfield it was almost nothing but wild, untenanted prairie. Mr. Stephen shook his head ominously. Whence was business to come to the railroad? When would there be settlers in this barren waste? At last the station of DeGraff was reached. It was Sunday morning. Around a rude but good-sized structure there were crowds of people; the trails leading toward it were covered with conveyances, most of them drawn by oxen. 'What is all this?' inquired Mr. Stephen. 'Why,' answered quickly his friends, 'this is but an instance of what is soon to occur along the whole line of the railroad. This is a colony opened by Bishop Ireland one single year ago. Already the settlers brought in by the Bishop are counted by hundreds, and hundreds of others are coming to join them from different parts of America and Europe. This is Sunday morning, and the settlers are going to mass.' The certain rush of immigrants to the West was pictured to Mr. Stephen in glowing terms. He already saw enough to make the prophecy credible. From that moment he was won over to the new enterprise. Lord Strathcona added: 'In a manner unknown to yourself, you were the friend of Mr. Hill and myself

in a moment when we needed friends. Whatever I can do for you is but a return of thanks for what you and your colony once did for us.'"

The colonization work of Bishop Ireland continued along the line of the St. Paul & Pacific, later the St. Paul, Minneapolis & Manitoba. It soon went beyond DeGraff, taking into its area Clontarf in Swift County, and Graceville in Big Stone County. Said Archbishop Ireland: "Mr. Hill, becoming the manager and afterward the president of the road, coöperated in every possible way, affording rare privileges of transportation to the incoming settlers and especially facilitating the acquisition of lands in favour of his settlers. This latter favour was particularly valuable in the colony of Graceville, where the indemnity lands of the road were put at the disposal of the Bishop at very low rates and these rates were guaranteed to remain the same up to the time when full title could be acquired. Title, as a matter of fact, was not acquired for nearly twenty years. The settlers, meanwhile, paid no taxes, and finally purchased their lands for a small price, although these had increased in value meantime more than fivefold."

In the year when Mr. Stephen was initiated into the value of the enterprise by this tour of personal inspection, he and Mr. Hill, Mr. Smith, and Mr. Kittson had a meeting at Montreal at which was present Mr. John S. Barnes, of the firm of John S. Kennedy & Co., New York City,

representatives of the Dutch bondholders. At this meeting the prices to be offered for the bonds were practically agreed upon; and it was also understood, though nothing was yet put in writing, that each of the four principals interested in the negotiations now going forward would have a one fifth interest in the profits to be realized, while the remaining one fifth could be used by Mr. Stephen, at his discretion, in securing the capital necessary to the enterprise, wherever that might be found.

All this was still subject to a thousand contingencies, and menaced by a thousand probabilities of complete breakdown. It was an agreement to divide the estate of a bankrupt individual, very ill indeed, but not yet dead, whose property was encumbered to many times its selling value, about whom were flocking all the vultures of the law, and whose testamentary ideas and residuary legatees might upset the most carefully matured plans by any one of a host of unforeseeable events. It was like apportioning the winnings of tomorrow evening's play with outsiders. But the confederation which was to conquer so great an empire was fully formed at last.

## CHAPTER ELEVEN

### THE TANGLED WEB OF NEGOTIATIONS

WHEN a syndicate in these days wants to buy a railroad, it proceeds to gather in, at such market prices as can be secured by bargaining or established by manipulation, a majority of the outstanding stock. It must either outbid or outwit all opposing interests. If the railroad is already bankrupt, it negotiates also with the bondholders; submits a plan of reorganization, based on the exchange of old bonds for new; and, with their consent, the thing is done. Nothing so simple as this was possible in the scheme to which Mr. Hill was committed. He must take the leading part in it; because it was his idea, and also because he was the man on the ground, where he could watch the property every day and checkmate any moves against the interest of himself and his associates. Beyond lending his political influence to such legislative measures as were desirable and helping to block those of an opposite nature, Mr. Kittson had little share in the intricate processes of this purchase and reorganization plan. He was satisfied to follow the lead of Mr. Hill in the scheme to which he had assented with so many misgivings, but with a fine faith in the fore-

sight and judgment of the younger man. That scheme, even if the necessary financial support could be had, involved a dozen ramifications and contingencies.

The old bonds must be bought from the Dutch Committee, and scattered amounts not in their hands must be quietly obtained. Negotiations must be carried on with the firm of J. S. Kennedy & Co., in New York City, whose advice the Dutch owners were pretty sure to follow. Trustees for the bondholders had seized the First Division Company in 1876, but the outstanding stock of that company, in the hands of Mr. Litchfield, must be secured to avert future trouble. Legislation must be watched, secured, prevented, according to its origin and aim. Search for a working partner with capital must go on. A scheme for the organization of the properties when obtained must be drawn up; and it must show reasonable probability of success and profit on the basis of ascertained fact. In truth, the real fight for a tangible possession in exchange for a vision, attractive but unsubstantial, had now to be made.

Speed was of the essence of all these matters. The Northern Pacific was now on its feet again and eager for a finger in the pie. Land grants, the time limits of which could not be extended indefinitely, had to be saved. The managements of the Chicago & Northwestern and the Chicago, Milwaukee & St. Paul were not blind to the situation. If they had not had their own hands full

in taking care of their growing territory, they would have become active competitive bidders. They were played judiciously against each other during this time by Mr. Hill, who had the confidence of both. Each was pacified by the assurance that the other should have no part in the new undertaking. Thus powerful rivals were not only kept out of the field as possible purchasers, but transformed into friends by the promise of equal treatment later on, and no exclusive advantage to anybody in the exchange of business with the new concern. That promise was faithfully kept through all the subsequent years. Public sympathy with the enterprise threatened to change into hostility. It was represented continuously, in the years of receiverships and lawsuits, that there was no intention of ever completing the lines; that a few bankers in New York and Holland meant to block all these enterprises indefinitely until they should be able to buy in the bonds on speculation for a trifle. Public opinion in Minnesota was generally sceptical or hostile. Newspapers and legislative debates of the time reflect this continually. Some definite move must be made, some proposition outlined to lay before the Dutch Committee; either an offer whose acceptance could be expected, or a tentative proposition for a trading basis, or a sop to hope deferred which might prevent its seeking elsewhere a solace for its disgust.

Mr. John Carp had come over from Utrecht again, in December, 1876, to see what might be done for the desperately weary bondholders. He had a complicated scheme of his own for the reorganization of the property. He invited propositions from Mr. Hill and Mr. Smith. His plan was hopeless; but it was wise to flatter his vanity a little, and also to keep the bondholders encouraged with a show of something doing. Mr. Carp could not help, but he was in a position to do a lot of mischief if antagonized. Mr. Smith was not yet educated in diplomacy, and would have nothing to do with an affair from which nothing could come. Mr. Hill and his faithful follower Kittson, therefore, joined in a tentative offer to the bondholders, transmitted through Mr. Carp; the first actual proposition looking to the transfer of the property ever definitely put into writing by them. A letter was sent to Mr. Carp, January 29, 1877, making an offer to take over a part of the properties, those of the First Division, on terms that would certainly not be accepted; on conditions that it would be far more difficult for the seller than the buyer to meet. It was never even submitted to the Dutch Committee. Nobody had expected that it would be. It was made, by Mr. Hill's advice, merely to humour Mr. Carp; to prevent him from becoming hostile, and to prepare the way for future negotiations on a different basis when the time should be ripe. Incidentally it was made a medium through which

might be conveyed to the bondholders some unpleasant information about their properties. The writers "knocked" some of the lines pretty hard, but no one can say they misrepresented facts. So its terms were of no practical importance.* And yet, so obtuse was everybody at the time, that it was not the unreasonable terms of the proposed purchase, but the possibility that a bona fide purchaser on any terms whatever should exist which troubled the minds of the best-informed. They thought they were seeing the ghost walk.

Mr. John S. Barnes, of the firm of Kennedy & Co., in New York, representatives of the Dutch interests and personally familiar with things in Minnesota, wrote as follows one week after this proposal had been submitted: "I have gone over Mr. Hill and Mr. Kittson's proposition to Carp with him very fully, and discussed all its points fully. I don't think Mr. Carp has come to any conclusions in his own mind about it; but I think he is a little troubled as to the way he shall be able to convince his committee that the offer is one which Mr. Hill and Mr. Kittson have the ability to perform, and he has asked me repeatedly how he can do this. Now I have personally the highest regard for both these gentlemen, and I would take their word as soon as that of any men of whom I know so slightly; but except that I have a general notion that some Canadian gentlemen stand behind them, and who are

*For study by the curious the proposition is printed as Appendix I.

able and willing to furnish the large sum mentioned, I can say nothing which adds strength to Mr. Hill's and Mr. Kittson's proposition, or is in the nature of the sort of guarantee that the committee might require." Literally everybody thought that the mooted purchase was for Canadian account. Mr. Barnes, who ought to have known or suspected the truth if any outsider could, wrote, a little later, "Except these Canadians there would not be found persons ready to give any such sum in these times as is now offered." And the receiver of the railroad, the man who sued for fifteen million dollars' payment for his alleged paternity of the idea, wrote a letter on the same theory, which is not only to the same point but is also too good fun not to be preserved in this history, verbatim et litteratim:

J. S. Barns Esqr

I leave Town for a few days. I Red your leter 17th to Friend Kitson he feels somewhat disapointed. The Old Gentleman has great confidence in the future of this Property if it could be obtained for the present Selling Price of the Bonds. His Friends who is expected to furnish the money has unlimited control of Canadian Politicks. It might become a Canady projeck, but that would be a mater of no moment to you or me if we could make some money.

Yours &c

J. P. Farley.

The only important result of this tentative offer was to obtain, in return—which was one of its objects—an idea from Mr. Carp of the prices at which and the terms

on which, instead of those offered by Mr. Hill, he thought the Dutch Committee might feel willing to part with their holdings. This was precisely the information that Mr. Hill had been fishing for in these shallow waters. Taken with all the other advices gathered in, there was now something to go upon. Mr. Smith had at last succeeded in convincing his friend, Mr. Stephen, that the thing deserved looking into. Now, in the spring of 1877, Mr. Hill went to Montreal on Mr. Smith's request, as already stated, and for the first time met Mr. Stephen. At this conference all details of the project were discussed quite thoroughly. Several days were spent in maturing a plan to buy the bonds held by the Dutch Committee. "Mr. Stephen said he thought he could interest some English parties known to Mr. Smith and himself; and together they would be able to negotiate a loan on the security of the purchase of the bonds, pending the foreclosures." Nobody seemed to doubt that he could raise the cash in London, and it was agreed that when Mr. Hill returned to St. Paul he should make a real and comprehensive proposition, like that outlined above, to the Dutch Committee through Mr. Carp. The total value of the property was what Mr. Hill, Mr. Stephen, and Mr. Smith considered chiefly. They had made up their minds, thanks to infinitely careful study by Mr. Hill, what they could afford to pay for it as a whole. They proposed to set a price on each class of bonds; then the bondholders might

readjust the prices to be paid for different classes, so long as the total purchase price was not increased. With this understanding the Montreal conference broke up and Mr. Hill, after visiting New York and trying to make some arrangement with Mr. Edwin C. Litchfield for the stock that he held in the First Division Company, came back to St. Paul to take immediate steps for carrying out the programme thus settled upon between the three active associates who had drawn it up. Mr. Kittson, having been detained in Chicago by illness on his way to Montreal to meet the others, had not been present at their deliberations; but he approved the steps taken and was ready to go ahead with them.

Accordingly a second proposition was made by Mr. Hill and Mr. Kittson, May 26, 1877. It was understood by the bondholders as an offer to purchase for cash. The associates would have been only too glad to make it such if they had had the money. And it was possible that it might become such; for Mr. Stephen was soon to leave for London, where he hoped to interest capitalists in the scheme. Meantime, it served its purpose as a working basis from which to get down to hard pan in the determination of the prices to be paid for the many issues of dishonoured bonds, differing greatly in value and in the security back of them. Thereupon began a chaffering about prices which lasted through the rest of the year, and ended in disclosing that an agreement could be reached between the

parties for the sale of the bonds for cash. In the letter of January 29, 1877, Hill and Kittson, acting alone, had offered $3,500,000 in cash, and agreed to surrender the unsold portions of the land grant. But they asked, in return, "delivery to us of a perfect title, vesting in us, under such corporate name as we may adopt, said railroad and its franchises, and all other property clear of incumbrance." This for a part of the property only. It was a condition clearly impossible of fulfillment for the present, if at all, by its owners.

The offer was a mere "feeler." The next proposal,* that of May 26th, in the same year, from the same gentlemen, contained a valuation of the different classes of bonds outstanding, ranging from 80 cents to 11 cents on the dollar. It advised the bondholders that Messrs. Smith and Stephen are to furnish the money, and it asked for notice of sixty or ninety days, in case the proposal was favourably received, in which to obtain the necessary funds. On request of the Dutch Committee, the proposition was extended until September 10. Mr. Carp was trying to get better terms than those that had been named. On December 27, 1915, Mr. Hill, reviewing this transaction, summed it up thus in conversation: "I remember when Stephen went to England to try to raise funds. He was sanguine, and said to go ahead and make an offer for the property. But I feared a miscarriage. When Mr. Kittson and I made the offer

*Printed as Appendix II.

to the Dutch bondholders, I worked all night over the form of the proposition to be made, and took it to Judge Young in the morning to see that the phraseology was all right. It was construed by them as an offer for the property outright; but it was, in reality, only an option under which we secured a certain time to raise the money, and were not bound if we did not succeed. Mr. Stephen failed, and we were not bound. Then came the proposition to send the Dutch bonds over here, we to assume charge of the road and conduct of the foreclosure proceedings and to pay interest until the time when a reorganization could be completed and a new company put on its feet."

Mr. Carp's own plan, written in his hand and dated London, October 8, 1877, gave a total valuation of $6,866,759 for the property; including in this not only the selling price of the bonds, but the money necessary to build additional lines to save the land grant, the receivers' debentures, and the value of equipment. He stated that the property so to be transferred will consist of 552 miles of road (but this includes 132 miles yet to be built), 1,584,104 acres of unsold lands, $465,911 due on lands already sold or contracted for, besides 165,000 acres claimed by the Northern Pacific, $116,852 worth of townsite property, and about $115,000 cash in the hands of the trustees. He worked out an elaborate scheme for exchanging new bonds, land certificates, and stock for old bonds, which need not be de-

scribed, since it did not appeal favourably to any of the parties.

Two statements* still exist in the handwriting of Mr. Hill, one describing the lines and their property, under date of September 1, 1877, and the other listing the bonded indebtedness, which show that he was in possession of even completer details of the business than were the owners themselves. He listed 455¼ miles of completed track, ten miles from Crookston to Fisher's Landing, and thirty-four miles under construction from Breckenridge to the end of the track south of Glyndon, for which the bondholders had at last been persuaded to furnish some money and which was opened for traffic October 22, 1877. There were 229½ other miles on which most of the grading was done, but nothing else. He catalogued all the rolling stock, with current valuation, and the real estate. He showed the net earnings of the First Division Company to have been $264,142, which was about $6,000 less than they were six years before. But he also noted that during the fiscal year 1877 there had been expended on additions and improvements to the property $188,250 *which had been charged to operating expenses instead of to construction and equipment.* That detail, which attracted little notice when railroad accounting was such a mass of jugglery with figures that nobody paid much attention to any item of it, had vast significance for his practical mind. It showed

*See Appendix III.

net earnings, on a fair operating basis, of $450,000 a year—a more than respectable total.

The rest of the inventory is even more interesting. Mr. Hill listed every fraction of the debt, described the securities, and valued them as if he had been dealing with them all his life. He showed that the cost of the bonds at prices set in his proposal would be $4,330,180. To this he added costs of foreclosure and of completing uncompleted portions of the line, and arrived at the figure of $5,540,180 as the "total amount required to buy the property as it now stands and complete the system as far as at present desirable." But the list of assets is different. How the eyes of the Dutch Committee would have bulged if they could have seen the prospective purchaser's estimate of what he was going to get! So fixed, however, was their own unbelief that it would have only convinced them that he was an unpractical dreamer. Every detail is there; and every item is valued by a man who knew personally its quality and quantity, and who was never accused of getting the bad end of a bargain or of overvaluing what he was trying to purchase. Putting the moderate figure, absurd in the eyes of to-day, of $20,000 a mile on the track of the 570 miles that would exist after work under way had been finished, and the expense of completing which he had figured into his cost prices, and adding the actual value, with depreciation, of equipment, shops, supplies, etc., the railroad property alone stood at $12,216,718.

Townsites and land grant, the latter estimated only at the current figure of $2.50 per acre, the price then put on public lands in general, footed up $6,586,205 more. Here was a total property value of a little less than twenty million dollars, to be had at a little more than twenty-five cents on the dollar. And this was a flat bargain; allowing not a penny for the certain increase of business and rise of values with the development of the country. In a supplementary note, so as not to mar the severe austerity of the estimate itself, Mr. Hill said: "We believe that $600,000 per year would be a low estimate, and with fair average crops the net earnings would undoubtedly reach $700,000; which amount will increase from year to year as the country is settled up." It is not much wonder that, with these facts at his fingers' ends, Mr. Hill was dominated by the sense of unparalleled opportunity.

All his life it was his custom to know all the facts about anything in which he was interested, a good deal earlier and a little better than anybody else. For twenty years he had lived in the country where the situation had been preparing. For four or five years he had been consumed with anxiety to get possession of this property. He alone fully understood its present value; he alone conceived its future with any degree of justness. These months of diplomatic negotiation, slow because of lack of funds and credit, with the possibility that at any time the mere

progress of events might make some of his expert information public property and set more powerful forces on the trail, were a torture to him. Nor was the danger imaginary. In October, 1877, the receiver of the road sent a cipher telegram to Kennedy & Co., in New York, advising them of one danger that threatened the property. Translated, it ran: "We have positive information that the Northern Pacific Railroad is negotiating with the Canadian government for exclusive control of their railroad from St. Vincent to Fort Garry. They promise to build from their road to St. Vincent, and have a forfeiture declared on the St. Paul & Pacific line from Crookston to St. Vincent. They are now making liberal arrangements to secure election of their friends to the legislature. Present outlook decidedly in their favour. This done, St. Paul & Pacific ruined and First Division badly damaged. Canadian government ministers have been in secret session with Northern Pacific officials two days this week at St. Paul and Brainerd." Among other things, the purchase would include a fight with the most powerful railroad system in the Northwest, and in the legislatures of two governments. The first two spikes in the Pembina branch of the Canadian Pacific were driven in September of this same year by Lord Dufferin.

Mr. Hill's anxiety cropped out in a letter to Mr. Smith in August, in which he said: "Every indication leads us to think that the present is the favourable time to

purchase the property; in fact, I do not think we could get it for less than a million dollars' increase after the present indications are realized." But he had, as he always had, exactly the same confidence in himself as in his matured plan. He never let go. It was no small comfort that the firm of Kennedy & Co. stood firmly by him throughout the transaction. Mr. Kennedy was a Scotchman and a business man of the old school. He was trustee in this country for the bondholders. He had a slow-moving mind, a comfortable New York inability to sense what must happen soon on the then frontier, and an implacable sense of honour. He wanted to make the best bargain he could for the Dutchmen. He believed that if they did not do something quickly, they stood a chance of losing everything; as, indeed, through hostile legislation, they would. He knew and trusted Mr. Hill. At this juncture his firm wrote: "The proposition of Kittson and Hill is one that the bondholders should accept, and we have advised them to do so without reservation." It was good advice. For the potential profits which this property contained could not be realized by alien owners, five thousand miles away, unprepared either for the strategic contest or for the vast investment of additional capital needed. As a matter of fact, and in the light of later events, it is not too much to say that this property would neither have maintained its independence nor gained at once

the confidence of the financial world if it had found any other purchaser, or if its first General Manager had been any other man than James J. Hill.

After much dickering over prices during the latter part of 1877, a schedule at which the various classes of bonds might be bought in was accepted by Mr. Hill and Mr. Kittson and by the Dutch Committee. As was stated, the former had so worded their offer as to make it cover only an option to purchase, and began with redoubled energy to try to raise the cash. The latter understood that they had made a sale, and made public announcement to that effect. But in December of that year Mr. Stephen came back from England to report a flat failure. Capitalists there would have nothing to do with a scheme which looked to them like a wild speculation. Money for the enterprise could not be raised, even though the associates put everything of their own into it, and offered any newcomer a one fifth interest in the entire ownership if he would put up the cash. No man with the necessary means could be induced to look at it seriously, and the offer made in May had to be withdrawn. The associates could not complete the purchase they so much desired, because they could not raise the money. On the other hand, the Dutch bondholders were bitterly disappointed. They had been told that the sick horse which they had doctored for so long was off their hands. Here it was thrown back on them.

This was a terrible setback for the Dutch Committee, who had foreseen an end to the troublous responsibilities of their stewardship; and to the bondholders of all degrees, who had been counting on a little cash in exchange for their depreciated paper. As always happens, in such circumstances, the owners' appetite for a sale was whetted. There was no other customer in sight so far as they knew. It might be years before another would appear. In the meantime, hostile interests and legislatures might take away even the poor remains of their property. They became desperate for a trade; for any kind of trade that would put an end to their worries, their negotiations, their apprehensions, their responsibilities. All that they possessed in their bonds was a dishonoured promise. Why should they not exchange this for another promise that might conceivably be honoured, to some extent at least, at some future day? They could scarcely be worse off; and, meantime, it would be the purchaser who had to walk the floor at night.

On Mr. Stephen's return from abroad, Christmas Day or the day afterward, 1877, the four disappointed associates had a meeting at Montreal. Every road but one had been closed to them. They could not get cash. It remained only to be seen whether an offer to buy these bonds by pledging their credit would be considered. At this meeting they drew up another proposition. The prices of the bonds as already agreed

upon were to stand. But an effort was to be made to get the securities by putting up only such amount of cash as these gentlemen could raise themselves; and providing for payment of the balance only after the foreclosures should have been completed and the property thus put in shape for a future issue of credit against it. With this understanding they all went to New York about January 2, 1878, to negotiate anew with Kennedy & Co. Here, in the evening, Mr. Hill personally drew up the memorandum which was the basis of the discussions that ended finally in the transfer of the property.

He proved himself as shrewd here as in his inventory of the property itself. This memorandum,* of two printed pages in length, is the patent of nobility for the whole Great Northern system of to-day. It proposed that the bonds should be turned over at the prices already agreed upon. That controversy would not be reopened. Then it agreed to pay to the bondholders interest on the purchase money at 7 per cent. until the various mortgages could be foreclosed and clear title obtained. Within six months after that, the whole purchase price was to be paid in 6 per cent. gold bonds of the new company, together with $250 of 6 per cent. preferred stock for each $1,000 of such bonds. The purchasers were to obtain and advance the money necessary for the extensions of the system urgently

*See Appendix IV.

demanded to save forfeiture of land grants. Until all was completed, the bonds were to be put in escrow; but the purchasers were to get immediate possession and management of the foreclosure proceedings, and through these of the property. Such was the substance of the new, and as it was to be, the successful offer to the Dutch bondholders, which was formally made January 5, 1878.

Negotiations on the basis of a purchase for cash had now become negotiations for a purchase on credit. The bondholders were brought by disappointment to a humble frame of mind; and made ready to assent to a kind of sale where the men eager to buy could meet them at last with a definite and binding proposition. All these tedious, trying, and fruitless negotiations of the year 1877, as wearing on one side as on the other, though for very different reasons, built the foundation on which the actual transfer of the property was to take place early in the succeeding year. At last the associates were able to act without securing the approval of the capital to which they had so long pled on their knees in vain to multiply itself a thousandfold. At last they could consummate the hope of their years of waiting and working. They saw a way to get control of these railroad properties and put their plan to the test. Only—and they were fully aware of it—a failure, judgment not vindicated by the event, any mischance that could not be foreseen and guarded against, would

leave all of them ruined in fortune, broken in hope, discredited before the world, and stamped as adventurers, or worse. This was the supreme test. Blithely they welcomed it and put in pawn their entirely worldly possessions and their business honour.

During all these years the four men had been working together with the most absolute faith in one another, but without the stroke of a pen to prevent any undue advantage being taken by one of them, or to show what each might expect to receive in case of success. The matter had, indeed, come up indirectly during the conference before Mr. Stephen left for England on his unsuccessful mission. It was agreed that no capitalist could be expected to come forward with the desired support unless it were made to his advantage by assuring him a share in the profits of the project. Therefore, the associates advised Mr. Stephen that he might promise at least a one fifth interest in the control and profits of the enterprise to such person as he should be able to enlist. He was empowered to do more if necessary. Either this railroad scheme was an illusion, in which case all of them would be ruined, or it was something so big that there would be enough for everybody and no need to haggle about a division. Since, however, no one could tell in advance what it might be necessary to concede in order to bring in the fifth man, no one could say what would be left to divide. The other shares, therefore, were left indeterminate.

Now that no partner had appeared, and it seemed probable that their last offer, which they could make good, might be accepted, a formal agreement was required. It was still most desirable to get some financial backing other than the very limited means of the associates themselves. Should they get the property, they would need help desperately in extending their credit, in paying the expenses and interest that were running all the time, and in placing their new securities for cash until the property should begin to show results. This office was still left to Mr. Stephen, who might hope to obtain the lesser assistance where he had not been able to command the greater. So it was agreed in writing* by the four associates first in a preliminary memorandum of January 21, and, after the purchase had been ratified, in a formal document known as the "Montreal Agreement" and dated March 27, 1878, that all the profits and losses to accrue from the possession and operation of the railroad companies were to be divided in the proportion of two fifths for Mr. Stephen and one fifth for each of the others. It was thus that the matter was settled, and some hundreds of millions of future values were allotted among these sanguine and desperately daring men. No higher tribute could be paid to the financial honour of any of them, or to any man, than to state what is the exact truth about this agreement; and that is, that if no line of it had ever been written, the prop-

*See Appendix V.

erty would have been distributed just as it was. Achievements such as those which it is the work of these pages to chronicle are not wrought by men who hold their word more lightly than their bond.

## CHAPTER TWELVE

## THE PURCHASE AND ITS OBLIGATIONS

THE long chase was now almost over, with the quarry in sight. The holders of the bonds were in a frame of mind to take what they could get for them; and the offer made was so far above anything to be obtained in the open market that they could afford to accept new securities in exchange. Besides, they were to get back in cash very considerable advances which they had grudgingly made from time to time to avert immediate and outright loss of the property; and they had the guarantee, from responsible parties, of good interest on the purchase price until the reorganization should be effected. Certainly this was better than holding dishonoured paper which brought them in nothing.

As for the associates, not only were they able to secure, through the influence of the Bank of Montreal and its connections, a line of credit where it had been impossible to raise cash, but Mr. Smith and Mr. Stephen were willing to take chances now where they would have hesitated before. Now it was either take the property or leave it. They knew that, in the latter case, it would fall either to the Northern Pacific or to the

Canadian Pacific promoters, and be lost forever. This was positively the last chance. They had had time to get better acquainted with its value and prospects. And undoubtedly they felt the grim impulse of every man who goes, step by step, into an enterprise of doubtful issue. If he has any courage, it is stimulated by pursuit. If he has any determination, he is ashamed to have followed so long only to drop out at the last. Better risk everything than abandon the results of so many years of inquiry, effort, and hope. Like horses running a hurdle race, they had come to the last and most dangerous obstacle, and must clear it or balk disgracefully. Mr. Hill, in spirit, had long been over this final barrier; and the others were now persuaded that the leap must be taken.

So, January 5, 1878, the new proposition was agreed on by the four associates, at a meeting in New York City, and left with Mr. Kennedy to be submitted to the Dutch owners. Mr. Kennedy had put himself on record as to the first proposal, that to buy for cash, in the words quoted in the last chapter. Of the second proposal, to buy for credit, he wrote, on January 7: "At all events I will do everything I can to have it so, both as the best thing for the Dutchmen, under all the circumstances, and as a good thing for Kittson and Hill and their friends; and if it does not go through it will be no fault of mine." This was the advice of a level-headed business man, who was, on the

one hand, the representative under power of attorney of both the Dutch bondholders and the house of Lippman, Rosenthal & Co., the Amsterdam bankers who still controlled some bonds; and, on the other, a friend of the associates and their financial representative in New York. His opinion was likely to prevail, and it did. After some dickering about prices, the offer was accepted substantially as made, and an agreement of purchase and sale was drawn up and signed by both parties, March 13, 1878.*

The details of this Magna Charta of the Great Northern, this realization of all the dreams and hopes of a lifetime for Mr. Hill, this opportunity for the display of qualities and activities beyond any that even his most intimate acquaintances believed to exist in the man to whom they attributed indomitable energy and business shrewdness rather than real greatness, establish two general conclusions. First, they prove that the purchase was, on the face of it, a good thing for the bondholders; so far as one could see at the time, a fair trade for them. If the bonds had been held in New York instead of in Amsterdam, it is reasonable to believe that the owners would have jumped at the chance just the same. The second fact is that the sale carried with it conditions so onerous for the purchasers that one finds it difficult to understand how they could have hoped to make them good. The obtaining of cash

*See Appendix VI.

and credit was a lighter affair than the material obstacles which they pledged themselves to overcome. These appeared almost insuperable; and they would have proved such under any leadership less tireless, any determination less unconquerable, than that of Mr. Hill. Even with him at the head, it was a close thing. Events to be related a little later showed that it was touch and go whether some of the most important interests of the property could be saved from legal annihilation.

The sale was a good thing for the bondholders, because they obtained prices above reasonable expectation. It was frequently said, during the years following the sale and reorganization of the property, that the bondholders had been unjustly dealt with; that the purchasers had hoodwinked them and obtained from them a valuable property for a song. The same story was repeated in later years. It was purely the invention of envy and disappointment on the part of those who did not recognize the opportunity until it had passed beyond their reach. The public attitude has already been described. Only a few believed in the future of the property. Nobody believed in the future of the bonds, except as bits of coloured paper. Mr. F. R. Delano was for years the superintendent of the First Division Company. He held various official positions, knew the property as thoroughly as any one could, believed in its possibilities, and made himself its

partisan. He ought to be a good witness to bond values if there were such. In an address delivered before the House of Representatives of the Minnesota Legislature, February 23, 1875, an address so impressive that five hundred copies of it were ordered printed by that body for its own use, Mr. Delano said: "The bonds have depreciated in Amsterdam. Until lately they have sold at eight and one half cents on the dollar, and most of them have gone into the hands and ownership of the bondholders' committee at a very low price, and I believe that the present owners expect to get their money out of the wreck in some other way than by building and equipping the road." If anybody had been wronged by a purchase below value, it would not have been the thrifty Dutch who had originally subscribed for these bonds, but the financial agencies that had first placed them by methods already described, and then gathered them in, after depreciation, at the figure named by Mr. Delano. Nobody would have shed tears over them. But, as a matter of fact, the owners were extraordinarily well paid for their property, according to the only impartial standard, the market range of prices.

The various classes of discredited bonds were of different intrinsic value, according to the dates and amounts of the different issues, and the amount and quality of the property by which they were secured. Some were bought at 75 per cent. of par, some at

28, some at 35, some at 30, and $11,400,000 of that extraordinary $15,000,000 issue at 13¾. The bids for these bonds on the New York Stock Exchange, September 28, 1877, three months before the offer of the associates was prepared, ranged from 45½ for those for which they offered to pay 75, to 6¾ for those they took at 13¾. Clearly a very handsome advance, even when payment was to be made in new securities. The ghost of that "unfair bargain" story ought never to walk again. The purchase price was to be paid either in gold or in first mortgage bonds of the new company to be organized, at a date on or before the expiration of six months from the sale of the properties under foreclosure; thus giving time to acquire legal title and to organize a new company, under the law already referred to, without making the land grants subject to taxation and, therefore, impossible for a poor and struggling concern to hold. If paid for in securities, first mortgage 7 per cent. gold bonds were to be given, to the amount of the purchase price; and, in addition, preferred full paid stock of the new company at the rate of $250 for each $1,000 bond. These were the terms contained in the memorandum drawn up by Mr. Hill previously, as described in a preceding chapter. The stock was to bear 6 per cent. interest, if that could be paid from net earnings, less interest on bonds. The bonded debt was not to rise above $12,000 per mile of completed road, and the stock issue should not exceed 25 per

cent. of the bond issue. Pretty rigorous terms, even for a purchase on credit. About 85 per cent. of the bonds came in under this agreement. The rest had to be picked up on the outside, and the associates had already been looking after that. When the time came, it was found that they had it neatly coralled.

Some of the securities of the St. Paul & Pacific Companies, of course, were held in this country; part of them in St. Paul and elsewhere in the Northwest. The holders of these were bitterly disappointed—and some considered that they had a grievance—when they found that they had parted for a song with something that afterward acquired substantial value. This is merely the old story of the man who, lacking foresight or business sagacity, blames fortune or fate or his more enterprising fellow for his own failure. Quite a little local business had been done by individuals or small associations in these old bonds. Foreign quotations were watched, and more or less trading went on. For six years, from the time when construction stopped in 1872 to the purchase in 1878, the property lay there for any man to see and estimate. Mr. Hill had talked freely, as has been seen, of his plan to get control of it if he could. Any man who believed in the country, no matter whether he believed in Mr. Hill or not, could have foreseen that these securities must have value; should have bought bonds instead of selling. Of course, from the moment that things began to shape themselves

definitely toward a purchase of the bonds held by the Dutch Committee, Mr. Hill and his friends gathered in all that they could, at as low prices as they could. It was a common sense business transaction in the open market, precisely as such securities are bought to-day by persons contemplating the acquisition of control or of a heavy interest in some property, and sold by those who are sorry for it afterward.

What other consideration passed? One can hardly understand to-day how these men dared to engage to do what they actually performed. They paid more than $280,000 in gold to bind the bargain. They bound themselves for the payment of the semi-annual interest on the purchase price of the bonds, amounting to from $270,000 to $280,000 a year. They had to find money to pay for other outstanding bonds as fast as they were turned in. They must furnish the capital required to complete and equip the extension to St. Vincent, more than 200 miles of road. Not only did a land grant depend on this, but it was vital to the whole plan of a through system to Winnipeg, and it had to be promised specifically in the agreement. To assure performance, the associates had to execute a $100,000 bond, to be forfeited as damages if this work were not done within two years from date. They had to pay back in gold the cost of the Breckenridge-Barnes link, for which the bondholders had advanced cash, with interest at 7 per cent. They had to buy out, as

best they could, the stock interest that Mr. Litchfield still held in one of the companies, to avert endless future trouble. Finally they must supply from time to time the ready cash to conduct the whole enterprise after it came into their hands. Just to keep a bankrupt railroad running, just to furnish out of your own pocket sufficient working capital for a solvent road, would be no slight financial strain. But this engagement was really a tremendous venture for those days. Computed in terms of risk, it looked appalling. No syndicate to underwrite it; no big financial concern, insurance or trust company from which to get money; while everything in the West—its railroad enterprises above all—was thoroughly discredited. No railroad or industrial deal of later times has required the nerve and the daring involved in this purchase. "Altogether," says Mr. Hill, "I would estimate the cash liability incurred by us at between four and five million dollars."

Of course the associates had no such sum. The mere $280,000 forfeit money looked as big as a mountain. They had to throw whatever they had into the pool. Mr. Hill said: "Mr. Smith and Mr. Stephen called upon Mr. Kittson and myself to put up everything we had; everything that was available as security and for any money we might need in prosecuting the work we had in hand, including the amount borrowed to pay the expenses of the Dutch Committee at the date of the closing of the agreement." The grasping Dutch bank-

ers in charge of the negotiations meant to grab $280,000 and were taking no chances with it. He added: "I sent to the Bank of Montreal whatever stocks or other securities I had, and such additional securities or security as I could make up from deeds of trust and property." In other words, this successful business man, with a family growing up about him, and what was considered a competence in those days, deliberately staked his all on this enterprise. He did it not because he *believed* in its future, but because, by that gift of prescience which served him so well in all the great crises of his work, he *knew*.

It is no wonder that Mr. Kittson, who did not know and only about half believed, did not dare tell his most intimate friend of this rash gamble on which he, too, had staked pretty much all he had. Not only miscalculation as to the future, but a mere delay in the scheduled foreclosures and reorganization would ruin the whole party financially. But the die was cast. And now—an almost intolerable thing for a man of Mr. Hill's temperament—the next thing was not to plunge headlong into the rehabilitation of the property, but to persuade hostile legislatures not to batter it any more; and to wait upon the maddeningly slow processes of the courts in matters where delay might destroy everything.

Before describing the breathless activity on Mr. Hill's part which began the instant the agreement was signed,

and which could not be relaxed for a moment without insuring the collapse of the enterprise, a story in its way as dramatic as that of the bond purchase itself, it will conduce to clearness to glance at other influences at work and other interests busy with their claims. The value of the railroad properties which had been tentatively acquired depended above all else on the character of the country they traversed, and the probability of its settlement and cultivation. Because the facts about this were becoming known, it had been important to act quickly. An old immigration pamphlet gives the wheat crop of the state in 1877 at 32,280,637 bushels, of corn 1,100,000, and of oats 13,819,630. In August of this year, when the negotiations were nearing a practical point, Mr. Hill wrote to Mr. Smith: "The present crop of the state of Minnesota and its effect in the older states where they are experiencing so much trouble on the labour question has already caused a large inquiry for lands along the line of the St. Paul & Pacific Railroad, and I learn that the prospects are very favourable for a heavy immigration this fall and spring. Every indication leads us to think that this is the favourable time to purchase this property; in fact, I do not think we could get it for less than a million dollars' increase after the present indications are realized." The Northern Pacific was an open enemy. The Milwaukee and the Northwestern systems had been placated and were busy taking care of their own territory, but had a

covetous eye nevertheless on the property for which Mr. Hill was negotiating. The Canadians, from the government at Ottawa to the government at Winnipeg, were ready to do anything and make terms with anybody to secure a through line from Manitoba to the outer world. It had been hard enough to hold all these forces at bay so far. Let them once see what the Northwest was becoming and what effect its improvement had already produced on the balance sheets of the St. Paul & Pacific properties, and if there were any failure to fulfill conditions agreed upon, there would be no chance either to hold off other competitors for the system or to obtain its securities at such prices.

Another vexation was the persistency of legislative attacks. The people of the Northwest were weary of the Hollanders. They were not touched by the losses which these people had sustained, or their poor chance of recovering the investment if they put in more money. What they wanted was railroads; honourably if possible, on any terms if necessary. The railroad had halted. So any proposal that aimed at taking away the privileges or even the rights of the Dutchmen, by threatening forfeiture of land grants or making more onerous the terms on which they could be held, found a large following in the state legislature. The other enemies of the St. Paul & Pacific, and the men who were trying for their own ends to keep Mr. Hill and his friends from obtaining control, had a powerful weapon ready to their

hands. The bankrupt railroad company owed a contractor. The ownership of a large amount of material already on the ground was in dispute between them. A state law assigned as solatium to the contractor a certain portion of the lands so soon as earned. One land grant had been secured only by letting it become forfeited and then getting it re-granted to the Western Railroad Company, controlled by the associates. The time limit for completing other portions of the line must be extended. The only effective means of nullifying adverse public opinion was to urge the presumed advantage to the people of having these roads owned and managed at home. This was the plea with which Mr. Hill worked unceasingly to extract concessions from the legislature, as well as to ward off hostile attacks. "The people of the state," he wrote to Mr. Kennedy, "appear to be very anxious to have the property owned by home interests, and are correspondingly afraid of the large Eastern companies; the Minneapolis millers especially."

He was at this time and always greatly interested in the milling business which had grown up around the Falls of St. Anthony. It was to become a great and growing feeder for his road; and for a time, while the mills relied upon water for their power, he had an interest in the business, through purchase of the St. Anthony Power Company. That came later; but at the present time the alliance with the millers was a close

and helpful one. For a long time, with his scheme ever foremost in his thoughts, Mr. Hill had protected indirectly in the legislature the interests of the St. Paul & Pacific as best he could. Now that more substantial concessions were desired, now that it was necessary to satisfy the legislature that the road would soon be completed if these were granted, somebody had to come out into the open. Mr. Hill must be able to say, in opposing the Northern Pacific interest, the Litchfield interest, the interest of De Graff & Co.—the belligerent and politically powerful contractors—that these things were asked "not on behalf of the unpopular Dutchmen and their receiver, but on behalf of our own citizens; who had bought the bonds and who had agreed to finish the lines and had the will and the ability to do it." About this time such entries in his diary as the following, scattered among notes of the dates of baptism of his children and other personal matters, are frequent: "Attended a meeting of the joint committee of house and senate on extension of St. Paul & Pacific Railroad." "Incorporators of the Western Railroad Company met at Kittson's office and elected officers. I was elected Secretary." "Attended meeting of railroad committee of the house in evening at the capitol, on extension of time to the St. Paul & Pacific Railroad." "Saw N. W. Kittson in regard to railroad matters." "Donald A. Smith expects to be here by Monday or Tuesday of next week." There were no idle moments, and every-

thing was moving toward the focal point of his life and thought.

Actual work, moreover, was going forward, which on the one hand helped to pacify an impatient public and on the other hand roused fear lest the lethargy of the existing management of the railroad might be so far stirred that it would begin to think of saving the property, after all. While these negotiations to buy the bonds for cash were being discussed, the Red River & Manitoba Company was organized, in 1877. By November 15 of that year it had completed the long-desired "cut-off," or link, between Breckenridge and the line of the St. Paul & Pacific south of Glyndon. The length of this track was only thirty-three and one half miles, but its importance was great. It opened the way for a direct communication with the Red River Valley, so soon as the extension up there should be completed; and it saved to the St. Paul & Pacific a considerable haul over Northern Pacific lines that had heretofore been necessary on much of its business. This track was laid with money for which the bondholders had grudgingly agreed that the property might be held responsible. It was constructed largely of old iron, scattered at points along the right of way and of disputed ownership. That is a fair sample of the business management of the railroad's early affairs. There were 1,000 tons of iron at Duluth and 1,700 tons at Glyndon which were claimed by both the railroad and the contractor. Since both parties

agreed that it could not be used eventually for any other purpose than the building of the line, it was finally decided to use it, pay the duties on this imported stuff which were still delinquent, and let the balance of the purchase price go to whichever of the warring claimants the courts might ultimately decide to be entitled to it. Rails were rails in those days. This iron was bought at from $32 to $37 a ton. New iron rails were quoted that same season at $38 per ton f. o. b. Milwaukee. Steel rails were a luxury, and a few were bought at a bargain this year at $55 a ton. In Chicago they were quoted at $61. A railroad manager or financier who should have been asked in boom times to lay his track with $60 steel rails and sign an agreement to bond his road at not more than $12,000 per mile of completed track would have thought it a crazy proposition.

There were other irons in the fire. Mr. Hill was ready to risk all his fortune on the railroad venture, but he did not have to bestow on it all his overflowing energy. The fuel business was flourishing; and he was looking after sources of supply as well as business. He wrote to a friend in 1877: "We have about 1,100 acres of this coal land and all continuous; in this respect it has an advantage of from 25 to 50 cents per ton over any coal in Iowa, and this will always enable us to deliver on the cars for less money than any other locality." Then he quoted the best authorities on the coal fields of America, showing a profound acquaintance

with the subject. Two things are manifest here: First, his knowledge of coal supplies and quality, which was to give his railroad a marked advantage in this particular; second, the value that he placed on circumstances affecting efficiency and economy in operation; which was the same principle that he applied to railroading with results that astonished railroad men and brought them all, in the end, to take his system as their model and school of instruction. Earlier than this he had shown the qualities of the practical traffic man. Some years before, when he was just making headway in the freighting business, he wrote to an associate: "My trip to Chicago was to get some Chicago commission merchants to advance on flour in my warehouse, and I succeeded in getting Culver & Co. to send a man to remain all winter, who is ready to advance $7.50 per barrel on 30,000 barrels in store, but I do not think the millers can get the wheat to grind as much. My great object has been to secure the control of the flour interest as far as shipments are concerned, and also to get control of the new railway dock—both of which objects I feel accomplished as far as can be." He was up and doing all the time; and his principle was that while he would take all kinds of chances to secure his opportunity, he would take none at all on success in improving it.

In these years there was but one shadow on the family and personal life of Mr. Hill. This was the

death, in August, 1876, of an infant daughter, Catherine, the only child of Mr. Hill who did not survive him. Intensely domestic, all that the busy hours left him of leisure was devoted to his home; to the wife who was always his anchor and inspiration; to the children who came to bless their union. At first St. Paul did not boast a distinct residence section. As in other small towns, the business district merged gradually into the district of homes. Mr. Hill had been living since 1871 in the house on Canada Street. As years passed, increased family and enlarged income seemed to require a change, and he prepared to build a suitable home. He left the old place, no longer adequate, and from October, 1876, to February, 1879, lived temporarily on Dayton's Bluff, the hill that overlooks St. Paul from the east. It has the most beautiful outlook in that city of sweeping vistas, but at that time the movement of population was in the opposite direction. In the interval Mr. Hill built what was then considered the most modern of houses, on a site long before selected, still in the lower part of town and not very far removed from the place where he first lived. It was built on the site of the cottage at Ninth and Canada streets. There he remained, from 1879 to 1891, until the tide that carried all his old friends and neighbours up to St. Anthony Hill, as the western heights of the city are called, swept him along with it, to build the mansion, modest for a millionaire, but solid as the man himself

and one of the most beautiful of the private homes, as distinguished from the show places, of the country. While the events just related were taking place in the progress of his railroad scheme, he was undergoing the heavy expenses incident to his first house-building and removal. The new house in lower town was not ready for occupancy until about a year after the successful offer was made to the Dutch Committee for their bonds. It took more than faith, it required the absolute knowledge of the outcome which this man believed that he possessed to stake, without a quiver, everything, including the home so long looked forward to, where the lights of the house-warming were almost ready to blaze.

The financial obligations to be incurred before any substantial progress could be made were so many and so great that there could be no stopping halfway. It was win or lose everything. Besides their bond of $100,000 to the Dutch Committee and the agreement they had to make a little later with the courts to furnish a million dollars or more to complete the extension lines, the associates had joined in the note for $280,000 for money to pay the expenses of the Dutch Committee, whatever they were; in another for $140,000 for funds to meet the first six months' interest on the bonds for which they were now responsible; in another of $250,000 in the latter part of 1878 to cover overdrafts that they had been compelled to make; and in raising half a million to pay for the Litchfield stock, which

everybody felt must be got out of the way. To secure these obligations and make them exchangeable as collateral for cash, they were only too glad to pledge every particle of property and other security they had in the world. Kittson did not go too far when he said that, if the enterprise had miscarried, they would all have gone to the poorhouse. Besides the cash sums mentioned above, funds must be found to build and equip the new line to St. Vincent, indispensable to the traffic plan as well as to saving the land grant and the amount, whatever it was, that had been expended on the thirty-three miles from Breckenridge to Barnes, which had for the first time united all the scattered pieces of the old St. Paul & Pacific into one connected though still unfinished system.

Here the services of Mr. Stephen became invaluable. He had been unable to raise the cash at home or abroad; but he could aid in extending an important line of credit through the Bank of Montreal, of which he had for years been a director and of which he became president two years before the railroad purchase was carried through. This bank was at that time the greatest and most important financial institution on the continent. It had powerful connections and the highest standing in both London and New York. Credit there, if not pushed too hard, was perhaps a more valuable asset than cash; because the limit would be more elastic and because there would be less of the

publicity which, at this time, could inure only to the benefit of the Northern Pacific people or the Litchfields. At one time, so strenuous was the situation and the demand for real money to keep things moving, that Mr. Hill and Mr. Kittson took $75,000 bodily out of the treasury of their Red River Transportation Company and rushed it to Montreal. Though the worst of the money troubles were over, so far, at least, as getting possession of the bonds was concerned, the other troubles were just beginning. The campaign that preceded the bond purchase was only a skirmish as compared with the campaign to make that purchase amount to something; the terrible months that elapsed between the time when the associates became nominally the owners of the property—an ownership hedged about with onerous conditions and ever-present dangers—and the day when the property could formally change hands, a new company be organized, a new system of financing be installed, and a competent management begin the real development of a real railway system.

## CHAPTER THIRTEEN

### THE BREATHLESS YEAR

NEITHER before, when they were moving heaven and earth to secure the property, nor afterward, when they were breaking all construction records in building a line to the coast, did the associates live through a time so breathless, so full of sharp anxiety, so dedicated to almost impossible accomplishment as the remainder of the year 1878, after the contract for the purchase of the bonds had been signed. They now had three stretches of track to complete, with money to be furnished by them and within time limits set grudgingly by indifferent or hostile legislatures. To build from Melrose to Sauk Center they had only until August 1st, and to Alexandria only until December 1st. If they failed, the land grant, which formed so large an element in the value of the bonds as security, would be forfeited. The line to St. Vincent did not, indeed, under the law, have to be finished during this year. But its immediate completion was of the utmost importance to the plans of the associates for controlling the connecting line on Canadian soil, from St. Vincent to Winnipeg, and checking the threatened construction by the Northern Pacific of the line built afterward on the other side of

the Red River to the boundary. If they had had all the money they needed in their treasury and a free hand at the work, it would still have been no inconsiderable enterprise to comply with these conditions.

They were, however, far from such good fortune. The receiver of the Main Line, who was also manager of the First Division Lines, was running the property under direction of the court. He must be theoretically responsible for the new construction. He could not go ahead without orders from the court. And he was not one of the purchasers, or in any way interested in movements that were vital to them. The new owners of the bonds were almost in the position of outsiders. Yet they must do everything on time and in accordance with the conditions which they had accepted. The only way to make sure of this was to have the receiver make a contract with them, themselves, to build the road. Then the work upon whose rapid progress so much of their fortune depended would actually be in their own hands. Time was so all-important, and the loss consequent upon the failure of the receiver, or any other person with whom he might make such an agreement, to comply with the legal requirements would be so enormous and irreparable that this seemed absolutely necessary to them for self-protection. The receiver was willing enough. But first the court, who gave orders to the receiver, must be convinced. Federal courts, in the Northwest, in those days, did not deal

very generously either with railroad companies that had made promises and failed to keep them, or with new railroad projects that could not show control of ample resources.

So the slow-moving wheels began to revolve tediously. The completion of the St. Vincent extension was too big a job to be made a cash affair. Credit was already pledged to the limit for the bond purchase and the carrying of the property. Receiver's certificates against the property itself, including its valuable land grant, were the only recourse. The receiver applied to the court for permission to build, and to issue debentures for that purpose. Upon this petition an order to show cause was made April 8, 1878, returnable April 18 at Jefferson City, Missouri. After the hearing, Judge Dillon, who was inexorably against haste, no matter what delay might cost, issued an order April 26, appointing two commissioners to inquire into and report on the matters specifically submitted to them which would determine the propriety of issuing the order requested. The associates, who were already straining every nerve to build the other lines within their time limits, must now induce these commissioners to make their investigation and report at an early day. It is a high tribute to their persuasive powers that they were able to get the report made within a month; and to the bona fide nature of their proposition that the commissioners were, as a whole, in favour of it.

The report of the commissioners was presented to the court at Des Moines, Iowa. Mr. Hill and his counsel were there, hoping that the judge would issue the necessary order at once, and make the terms of it such as they could accept. They had gone over every possible phase of the question in good faith. They advised that the receiver be authorized to contract with any responsible persons for building the line at the lowest figure he could get, paying for the work in debentures issued against the property, at par; payments to be made on completion of each ten-mile section. The associates knew that they could discount these debentures at the bank and thus carry them until the property itself was in shape to retire them. They only knew how short that interval would be. They were profoundly disappointed when the court demurred and showed a disposition to make troublesome reservations. Judge Dillon had faith in the men; but, like everybody else, very little in their scheme. He did not decline to issue any order; but he said that, to prevent a repetition of former troubles, he would not allow the issue of debentures until the road had been built. This, of course, was practically equivalent to a total prohibition; since it was upon the security of the debentures that cash for immediate expenses must be obtained. Mr. Kennedy's help was invoked, Mr. Hill and his counsel went to Davenport to present to the judge the facts and urgent needs of the situation, and he finally

agreed to issue an order whose terms were fairly satisfactory to them. All this had deferred action until the last day of May. And when the order was issued, it contained new conditions, inserted after a copy of the one already agreed to by the judge had been made. Judge Dillon, in signing it even after these multiplied precautions, said that "if the associates failed to carry it out, it would destroy them and ruin him."

Notwithstanding these maddening difficulties and delays, the report of the receiver of the property, made November 13, 1878, showed that the whole of the lines from Crookston to St. Vincent and from Melrose to Alexandria had been built and equipped; more than one million dollars having been paid out by the receiver to the contractor out of moneys furnished by the associates. Had they not been their own contractors, had they not been in command of a good line of credit, this would have been impossible. A heavy crop this year made labour scarce and wages high. Two and one third miles of line from St. Vincent to Emerson were finished, and the first train of the St. Paul & Pacific entered the latter place November 11. This made a through line at last to Winnipeg in connection with the Pembina branch of the Canadian Pacific, which was still under construction and to which they had also to lend a hand. The last rail of the work to be done under the agreement was laid December 4, 1878. The line to Sauk Rapids, covered by the order of the court,

MRS. JAMES J. HILL
From a photograph taken in 1888

was completed just twenty-four hours prior to the date, August 1, 1878, fixed by law for the forfeiture of the land grant.

This was but one incident of a year so memorable that only by following the calendar can any idea be gained of what had to be and was accomplished. Substantially everything that follows in this chapter is taken from the hundreds of letters, all in Mr. Hill's own hand, that witness his unremitting activity. The events of the opening month have already been related, down to the signing of the agreement with the Dutch Committee. February 8, 1878, Mr. Hill wrote to Mr. Stephen: "Enclosed please find promissory note on demand, signed by N. W. Kittson and myself. We hope nothing will occur now to prevent the Dutchmen carrying out their part of it." There were none of the tremors that the most confident business men are apt to feel after they are committed irretrievably to a hazardous undertaking. On the contrary, he wrote to Mr. Kittson, five days later, that the head of another big railway system had applied to him for an interest in the purchase, and said: "I told him we had made arrangements which prevented our taking in any one. If we should want to sell our contract, his road would pay a million dollars cash for it and let us out." This was magnificent confidence, and at the same time a shrewd bit of comfort for the man who had not dared tell anybody of his rashness, and still saw glimpses of

the poorhouse in his visions of the night. A week later he wrote to Mr. Stephen about the infinitely tortuous work of getting the Minnesota state legislature to refrain from interposing obstacles, about keeping the newspapers silent until the purchase should have been concluded, and about preventing the Canadian legislative authorities from accepting overtures by the Northern Pacific for a connection with the Canadian Pacific branch to the boundary.

Hostile legislation was the greatest bugbear of all. Had the settlement with the Hollanders been delayed, the repeal of the law giving a lien to the belligerent contractor, De Graff, would have been impossible; and an immediate declaration of forfeiture of the land grant could not have been prevented. At this very time a bill was also before Congress proposing an omnibus forfeiture of all railroad land grants still unearned. The Minnesota delegation and all other friendly powers had to be united against it. One law-making body at St. Paul, another at Washington, a Federal judge sitting sometimes at Jefferson City and sometimes at Davenport, and the raising of one huge sum of money after another to comply with the terms of the agreement, gave occupation enough, outside of problems of construction and operation. Mr. Hill took charge of it all with the incredible lightness of spirit of an old cavalier going forth for a combat to the death. There is a very human note, however, in a letter to Mr. Stephen:

"Messrs. Kennedy & Co. have just telegraphed that a large majority of all classes of bonds have assented to our proposal, so that we have virtually 'Crossed the Rubicon.' This is a great relief."

The first week in March saw the clearing up of the old De Graff trouble, an insuperable obstacle until it could be got rid of by a compromise which turned over to the contractor the first $125,000 received from the sale of lands. This left the company free to fix prices for its lands and to dispose of them without a shadow on the title. Mr. Hill, in a letter of March 8 to Mr. Kennedy, reported in his piquant way the finish: "It was very late before we felt able to say that we represented ourselves and not the Dutchmen, and consequently we had to make our fight a bitter one. The whole pack, 'Tray, Blanche, and Sweetheart,' fought hard, and had letters and cables from Holland fresh every day or so saying that we had bought no bonds, that our negotiations had entirely fallen through, etc. We pushed right ahead, and finally they offered terms. I am satisfied we would have beaten them out entirely had we a week's more time, and I know our chances were good anyway, but I thought best to make it sure. The leader of the opposition is very angry and refuses to be comforted."

The farmers of the Northwest were already complaining bitterly of the control over prices which the monopoly of wheat elevators by the Minneapolis Millers' Associa-

tion gave the mills, and were writing to Mr. Hill to know what they could expect. Early in April he replied to one of them: "I would say that we do not know as yet what plans we will adopt further than to say that we desire to make the matter as free as possible, so as to give the shipper the benefit of all competition." The necessity of building elevators to relieve the farmers from this disability was one of the early problems, and by the next year had assumed an important place in the calculations of the managers. But there was supreme consolation for every effort in the growing certainty that the property would make good. Indeed, if outsiders could have known the facts that Mr. Hill knew at this time, the possibilities of litigation would have been exhausted to prevent the bond purchase agreement from being carried out. Mr. Hill wrote some of these facts to Mr. Kennedy, April 11: "The road is doing a very heavy business, and to-day Mr. Fisher had to hire two engines from the Duluth road. The Fisher's Landing train is the largest and fullest train leaving St. Paul over any road, and it certainly looks as if we would have more of it. The extension lands north of Crookston to the end of the track are all applied for, and, in fact, I believe all the extension lands outside of the limits disputed with the Northern Pacific have been applied for by desiring settlers; and if we can get the authority from Judge Dillon to convey lands and let proceeds go with the suit, we can have

a wheat crop on that line next year of not less than 500,000 bushels. You can form no idea of the rush of immigrants to Minnesota this year." Then, as always, Mr. Hill was looking after business for the railroad. To others, the struggle for granted lands was everything. They could see only the money that these would bring in. Mr. Hill did not despise them; he put up a splendid fight to save them. He, too, knew what could be done with this big debt by trading lands for bonds. But, after all, no matter who controlled the lands, to get people on them, to make them productive, and so to assure a permanent traffic for the railroad interested him most. Not $500,000 to be picked up, but 500,000 bushels of wheat to be carried, came first to his thought. This conception embodied one of the first principles of a life of signal success in the profitable management of railroads. Later, many others came to accept and act upon it. At that time it was unique among the men in real control of railroad affairs in this country.

The construction of one extension line, as already noted, was finished July 31, with but one day to spare before the date of forfeiture. Now that it was finished, it became a source of real danger in the opposite direction. This line was, for the present, controlled by trustees for the bondholders. It was bound to be a money-maker. Under the favourable conditions set forth in the letter from Mr. Hill just quoted, it was going to make a profit right away. He had reason to

fear that it would begin to earn and pay the interest on its bonds before mortgages could be foreclosed and possession obtained. In that event, the stockholders would resume their right of control; and the purchasers of the bonds would, indeed, make a handsome profit on their deal, but they would not get the railroad, which was what they wanted. The valuable terminals at St. Paul would be separated from the rest of the property. "The property of the main line and of the extension line," said Mr. Hill on the witness stand some years later, "without the line between Minneapolis and St. Paul, and the access to St. Paul and the terminals in St. Paul, would have been worth very much less money than with or in connection with the branch line, so-called, between St. Paul, Minneapolis, and Sauk Rapids. I would not have gone into an enterprise to pay as much for the bonds of the main line and extension as we offered for them without the branch line being included." This has two interesting aspects. It exhibits the multitude and varied character of the anxieties of this period, between the signing of the agreement to buy the bonds and the obtaining possession of the property. And it brings out clearly the thought and purpose of Mr. Hill. He was not engaged in a speculative deal. At any time and in any one of several ways he could now have retired from the affair with profit enough to make him probably the richest man in the Northwest and assure his financial future, instead of going through with

the original plan and continuing to risk not only these profits in sight but also everything already invested and all his wordly possessions. But his fixed purpose was to create a great railway system in the Northwest. The plan had been formed, the results clearly foreseen for many years. No possibilities of loss or failure could turn him from the realization of that idea. He stood pat. The other construction work that had been promised was being rushed with what was wonderful rapidity for those days, and for the conditions under which it must be done. In a letter of July 30 he wrote: "We are putting down a mile and a half of iron daily now."

By September the load of anxiety, growing out of reasons beyond any one's control, became almost unbearable. The building of the first little link had drawn heavily even on Mr. Hill's energy, so short was the time allowed. Worse was to come. The new line to Alexandria was what the people of Minnesota were most interested in just then. So determined were they, that the last legislature had ordered this to be finished and in operation by December 1, 1878, under the usual penalty of forfeiture. But at that time one could not, as now, place an order for railroad material and have it delivered with certainty anywhere near a given date. Intolerable delays threatened the defeat of the project. No activity on the part of those in charge of it could cure this trouble. The Cambria Iron Company had

agreed to deliver 8,650 tons of iron by September 10. On September 25 only 3,820 tons had been shipped. Of the 2,500 tons that were to be delivered during this particular month, only 1,130 tons had gone forward. "We must commence laying iron north of Sauk Center by October 1," wrote the receiver to Mr. Kennedy, "to save our land grant. We have done nothing on this line for want of iron. We have now exhausted every effort to hasten the delivery of iron, and when winter sets in and this line is not completed, I do not wish any party connected with this matter in St. Paul to be blamed for the delay." And the following day, this: "I have a man in Chicago watching the movement of the iron and starting it almost the day it arrives there. We have had since August 1 all the men, ties, etc. necessary, and could have completed both these lines by October 1 if we had received the iron." Mr. Hill himself was out in the field, seeing that construction was not delayed an instant. It was heart-breaking to have the machine all ready, everything depending on its swift operation, and no material to feed it. Wherever he was not in personal control—and he needed to be in all places at once—the pressure on the others became too great, and things sagged. He wrote characteristically to Mr. Stephen in October, after a visit to the front: "The work seems to drive and control everybody instead of being controlled and driven." So long as he could be on the ground himself, that criticism would

not be made. His driving and controlling power were the mainspring of this work for the next thirty years. In October he wrote to one of the associates: "I have been up at the front on both lines, and I find it pays to be where the money is being spent."

Over all obstacles, the lines promised were finished within the designated period. The lands were saved, the conditions accepted in the agreement were performed. The herculean tasks of 1878, preliminary to possession, to the real beginning of the enterprise as it was to become, were performed. Mr. Hill did many remarkable things in his later career. The world looking on, measured the value of the idea, appraised the power of execution, and gave credit accordingly. But what was done in this year, 1878, when everything was still in the air, when the purchase was still only conditionally valid, when the new company could not yet be formed, when it was a sheer race of life and death, under a killing handicap, against terms that seemed to most people impossible to meet, is most wonderful. This story is related here with more than customary detail because of its intrinsic importance, its remarkable quantity and quality of performance, and the fact that it is here written for the first time into the history of railroad building in the United States and the development of the Northwest. It was, indeed, with a new force that the public must reckon.

Some other things deserve to go into the record.

The final settlement of the everlasting controversy with the Northern Pacific dates from this year; and it alone would have been enough to occupy one man's time and energy. The new management of that system were by this time forced to admit to themselves that they must abandon the hope of monopolizing the Northwest by securing control of the St. Paul & Pacific properties. Grudgingly they admitted the latter to the rank of a permanent competitor. But that gave more reason for limiting and embarrassing it in every way. In feeling and acting thus they were not moved by viciousness, they were but conforming to the accepted railroad ideas of the day. Not to fight a competitor to the last ditch, and by any means that came to hand, would have been thought, in that era, a silly sentimentalism; and would, indeed, in most cases, have resulted in speedy extinction. It would have been like going alone through the worst slum district of a great city with valuable property displayed conspicuously, and a placard that you carried no other defensive armour than a kind heart, a fixed policy of non-resistance, and a forgiving disposition.

The suggestion that the Northern Pacific might break into the Winnipeg trade, just now a main reliance of the new venture, was no idle threat. In this year that company made a survey for a branch from its main line at a point west of the Red River to the International boundary line, and twenty miles of it were built

the next. It was, of course, intrinsically valuable as a feeder; and it could not at present connect with anything, because the branch of the Canadian Pacific was already located, and connected with the St. Paul & Pacific. But it threatened trouble, just the same. The vexatious practice of adjusting tariffs so as to do the greatest possible harm to a competitor still largely at their mercy, and the contests instituted for lands wherever there was a shadow of conflicting claim, have been mentioned in another chapter. A time was soon to come when the contest would be more equal, and the bullied party able to strike back. It would be childish to go on stirring up trouble about trifles when reprisals could be made. The newly reorganized Northern Pacific, still only in the convalescent stage after its two years in the receivership hospital, could not afford to declare and conduct a dangerous war. It could not hope to destroy; it might be badly crippled itself. So overtures for peace were made.

Late in May, 1878, Mr. Hill went to New York to confer with a meeting of the directors of the Northern Pacific, called to consider the relation to each other of the interests of the two railroads. The latter parties expected to receive an offer of some concession if they would call off their project to build to a Canadian connection. On the contrary, they received a stiff buffet in the face. Under an existing agreement with the St. Paul & Pacific, the Northern Pacific had been running its trains from

Sauk Rapids to St. Paul over the former company's lines at a pro rata charge. It was now informed that this agreement should terminate, higher charges be made, and possibly another charge be imposed for the use of the St. Paul terminals. The Northern Pacific retorted by more threats to build through the Red River Valley; and by a more disagreeable proposition to build its own line north from Minneapolis along the west side of the Mississippi, thus paralleling the line of the St. Paul & Pacific on the east bank. So far, it was not much more than an exchange of "defis." How shrewdly Mr. Hill had sized up the situation is seen in a letter that he wrote to Mr. Stephen, who was not unnaturally a little disturbed by these rumours of war: "We do not think the Northern Pacific people intend to build any road in Minnesota, either in the Red River Valley or from Sauk Rapids to Minneapolis. If they had any money to spare, they would be more apt to build west of Bismarck and save their land grant."

He made a report to Mr. Stephen, three months later, of what was really a decisive conference with the enemy. It is a very interesting document, giving his whole plan of campaign in one of his most important earlier contests, where he was matched against some of the shrewdest and most experienced railroad men of the country: "I said to Mr. Wright that up to the present time we had been very careful neither to do nor say anything to prevent a harmonious settlement of all

difficulties of every nature and kind, but that his management had constantly tried to excite the people on both lines by representing that we would not treat them fairly or give them a chance to do business with us, and were now trying to get up a feeling to vote local aid for a road on the west side of the Mississippi from Sauk Rapids to Minneapolis; that this sort of thing had gone too far already and was only making a settlement more difficult every day, and that we had decided that a settlement must be had now if at all. I told him that we had offered to leave matters to arbitration, to which he had agreed, but that he had not brought his arbitrator forward yet, although it was two months since the agreement was signed, and that if he wanted any different arrangement he had never said so; and if he persistently attacked us we would make a struggle for life and would not come off second-best. We would at once survey a line from Grand Forks to Fort Buford at the mouth of the Yellowstone which was on a good easy line all the way, through a country as good for agriculture as the very best portions of his road, and we would ask Congress for half his grant to the Rocky Mountains and that he knew there were strong interests opposed to him who would be only too glad to help us; winding up by saying that our interests at present lay in developing Manitoba, but we would not sit quietly down and see him build lines that were unnecessary and only useful to injure us."

Fancy a stiff Easterner, perfectly aware of his own importance and representing an interest so great as the Northern Pacific then was in public estimation, being addressed in this warlike fashion by a man just forty years old, who had never managed a railroad, and was trying to build up a system on credit, in a race against time, out of the old junk called the St. Paul & Pacific! But there were several things about this plain talk that must have impressed him, and that impress the reader of it to-day. Probably Mr. Wright saw in the threat to parallel the through line of the Northern Pacific only a particularly daring bit of bluff. If he did not understand at that time the incidental content of that menace, it is clear enough now. Mr. Hill had already command of the details preliminary to the construction of just that line. He knew the route and the grades. He knew the agricultural possibilities of the country. There is no reasonable doubt that the project of the transcontinental line to be constructed later was just as definitely at the back of his mind then, when he had not even secured possession of the property on which it was to rest, as the plan of getting hold of the St. Paul & Pacific by buying in the bonds had been years before, when he talked about it in the old clubhouse in St. Paul and could not get anybody to take him seriously.

He procured incessantly and stored up facts against the day of action. When he surprised the country, and even those most closely associated with him,

by something that seemed on the surface thoroughly reckless, he could always, if he had chosen, have marshalled in its favour an array of facts known to him, but not in their entirety to anybody else, which made his plan as reasonable and as certain from the logic of his premises as the conclusion of a geometrical theorem. That gentle hint of other interests which might be drawn in was not all bluff. There were indications about that time of some one's hinting to Jay Gould that it would be for his interest to buy control of the Northern Pacific, run or lease it as it stood, and stop it at the Missouri River. This might be worth the while of a man who was a power at the time, and who was supposed to have control of the Union Pacific and at least a strong interest in the Chicago & Northwestern. The most distant reference to such a possibility was a prick in a very tender spot for the Northern Pacific.

At any rate, the Northern Pacific people now went ahead with their part of the arrangement to determine by arbitration the differences between the systems. This covered rates and interchange of tariffs as well as all other points in dispute. Mr. Billings and General Stark, president and vice-president of the Northern Pacific, went out to St. Paul in the autumn of this year. They obtained from Mr. Hill, who was as much then the power behind the St. Paul and Pacific as he was a year later behind the St. Paul, Minneapolis &

Manitoba, the right to a joint use of tracks between St. Paul and Minneapolis, and between St. Cloud and Sauk Rapids. They also received facilities for their passenger traffic in St. Paul, some land there useful for terminals, terminal privileges in Minneapolis, and trackage privileges on the lines to be built by the St. Paul & Pacific after reorganization on the west side of the Red River, or else the right to make rates for twenty-five miles on either side of the track. In return, they agreed not to build any opposing or competing line, turned over the stock they held in the extension line, and withdrew their opposition to the foreclosure suits. The last condition was worth all the rest put together. This treaty, the "protocol" of which was drawn in November, was of incalculable advantage to Mr. Hill. It relieved him of many annoyances and anxieties, and of a really dangerous enemy. He had now, as he said: "Only the First Division Company and the Litchfields to deal with."

A story almost as interesting, but one the details of which need not be given here, hangs on the building of the railroad from Winnipeg south to the boundary. The keystone of the St. Paul & Pacific project, for many years, was this connection. To build to St. Vincent, if there were no line from that point to Winnipeg, would bring little advantage. Ceremonies inaugurating the construction of this "Pembina branch" were held in September, 1877. Donald A. Smith had been doing all he could to push matters, but

the circumstances were far from propitious. In 1878 he succeeded in arranging for the building of this branch, and its lease for ten years to the American company which he and his associates were about to form. The contract to build was made in May, 1878, but in October of that year the Mackenzie government went down; and with its fall passed all negotiations with the associates. The contractors who built this line had until the end of 1879 to complete their work. Much of it was built before that date, and all receipts from it went into the pockets of the contractors. There were all sorts of difficulties, embroilments, and delays. Only when Mr. Hill and his friends quietly took a hand and, through agencies not known to the public, helped and spurred on a new set of contractors to equip and operate the road, was order brought out of the muddle. At last, however, trains were run through from the American terminus to St. Boniface, and the long-dreamed-of through line became to this extent a reality.

The construction compulsory during 1878 had now been completed. It was a marvellous record. If the reader will turn back to the date of the agreement signed with the Dutch Committee and read the conditions attached in the shape of lines to be finished, if he will bear also in mind the conditions that have been stated tending to retard the work, he will understand what it meant to everybody when, November 13, 1878, the receiver was able to report to the court that the lines from Melrose

to Alexandria and from Crookston to St. Vincent, together with two and a half miles from the latter point to Emerson on the international boundary, had been completed; and that the Governor of Minnesota had accepted the railroads as constructed according to the requirements of the acts of Congress and of the State Legislature. At the same time the business of the company was feeling the stimulus of new settlement and showing the increase that Mr. Hill had predicted, so helpful to his future though not without danger to his present plans; and the operating department of the railroad was evidencing the presence of a new man at the head. The associates, so soon to become *de jure* owners of the property, doubtless gloated secretly over the statistics of operation of the St. Paul & Pacific for 1878. Possibly it may help to explain the figures, and certainly it presents an interesting contrast with charges a generation later, to know that the freight rates from St. Paul, Minneapolis, and Duluth to Winnipeg were as follows: first class, per 100 pounds, $2.25; second class, $1.90; third class, $1.60; fourth class, $1.25. There were special rates on lumber, grain, and live stock. The carload rate from Chicago to Winnipeg was a trifle of $325. Here is the official financial record of the St. Paul & Pacific Railroad for 1878:

| | MILES | GROSS EARNINGS | OPERATING EXPENSES | NET EARNINGS | INCREASE OVER 1877 |
|---|---|---|---|---|---|
| First Div. Main Line | 150 | $741,387.69 | $363,008.67 | $378,379.02 | $279,096.98 |
| Second " " " | 57 | 100,911.01 | 65,896.29 | 35,014.72 | 27,250.71 |
| Branch Line | 76 | 469,070.33 | 201,881.84 | 267,188.49 | 142,063.67 |

These earnings, it must be remembered, came from a territory furnishing as yet little traffic. They were drawn from through business and from the local traffic of a country within a comparatively short radius of St. Paul and Minneapolis, together with a small part of western Minnesota. The great treasury of the northwestern portion of the state, the Red River country, the "granary of the world," had still to be opened up. It was not merely undeveloped, it was virgin and unoccupied country. Two little vignettes of it as Mr. Hill himself saw it at this time are taken from an address made by him before the Minnesota Historical Society in 1897: "In 1878, from six to eight miles beyond Fergus Falls we went out of all settlement. Up to that limit there were a few little houses scattered over the prairie. In the fall of 1878 north of Crookston there was but one house; and that house was a hole in the bank of a stream, dug out, with some poles and marsh hay thrown over the poles." "I remember that in 1878, on the Fourth of July, I crossed the international boundary between Manitoba and North Dakota, coming south toward Grand Forks, driving down over the country, locating the line of railway that strikes the boundary at Neche, on the west side of the Red River of the North. I drove forty-two miles from the international boundary to what is now the town of Grafton. There was not one solitary house in that entire distance, and about four o'clock in the afternoon,

on the endless, level prairie, one great sea of waving grass, the young man who was driving lost his nerve and told me he was lost. He did not know where he was going, did not know whether he was going north or south, and asked me if I knew. I said 'Yes,' and I took the team and kept on, and finally we came to the Park River where is now the town of Grafton. There was one settler there."

## CHAPTER FOURTEEN

## THE ST. PAUL, MINNEAPOLIS & MANITOBA

THE physical labour of complying with the conditions of the agreement with the bondholders and the provisions of law, both necessary to save the land grant, was now ended. The "breathless year" was over. Financial foundations had been laid so secure and broad that there was no question of ability to take over the properties when the time should come. But activity must still be incessant. The whole life of Mr. Hill is an unfolding, an evolution. No sooner was one task completed than it opened a vista showing others waiting impatiently to be done. There were a thousand details to be looked after—details that would have an important influence on the future conduct of the enterprise—before the new company should be launched. Although the first half of 1879 would not know the desperate anxieties of the year that preceded, it was a time of tremendous labour in maturing and arranging plans for the future of the railway system that was soon to be.

Looking back upon this period and this work more than thirty-five years later, Mr. Hill said: "It was a great undertaking and a great risk. We succeeded in part because the time was ripe. The growth of the

country just at that time helped us. But we succeeded also because we worked hard in every way. We tried to build a good railroad, to attract immigration, to operate economically, and increase traffic. I remember that I often worked at my office until one o'clock in the morning. One night my wife said that she would go to the office with me and bring me home at half-past ten. It was a summer night and I gave her a book and a chair by the window, where she presently fell asleep. At two o'clock I waked her and took her home." Many a night she accompanied him and kept vigil; but the work did not, because it could not, relax. Four matters were of immediate prime importance: arrangement of a practical through service to Winnipeg; preparations for the westward extension of the new company's operations; settlement with the stockholders of the Branch Line, who were in a position to delay foreclosure and might even jeopardize the enterprise if they had to be dealt with through court proceedings; adjustment of terminal facilities to accommodate the different railroads that would need to enter St. Paul, without sacrificing the primacy that its early possession of the ground had given to the St. Paul & Pacific. It will be convenient to deal with these in their order, although negotiations and settlements in connection with them all were going on at the same time through the opening months of the year.

Mr. Hill called on the Governor of Minnesota Janu-

ary 9, for a certificate showing that the line through to St. Vincent had been completed. This was the last legal step, and the land grant was now legally earned. But the operation of the line had been and still was beset with vexations. It is probable that, but for his close and friendly connection with his associates, Mr. Hill would have been tempted to take less trouble about it. The through line to Winnipeg, which had been the Ultima Thule of the project for so many years, had already dwindled in importance in his far-seeing vision. Canadian traffic had been, indeed, the moving cause of much that was done. But already larger interests were in sight. Minnesota was filling up, and the figures given show the enormous increase of business there. As fast as lines had been built, merely to satisfy legislative requirements, they demonstrated beyond all expectation their value as carriers. Mr. Hill knew all about the Red River Valley, whose agricultural possibilities were not yet appreciated by others at their value. He saw what could and must take place in the development of the Northwest on the Canadian side of the line. At the back of his mind was the ambitious transcontinental project, which he did not yet allow to appear. He could at this time, without any great sacrifice of interest or change of plan, have permitted the whole Canadian connection of the railroad to go by the board, or work itself out as best it might, while he concentrated thought and effort

on possibilities nearer home and, in the long run, more helpful to his final purpose. But he kept faith. Of his associates, two, Mr. Smith and Mr. Stephen, had been interested in the first place and were still interested mainly because of Manitoba's need of a rail outlet to the East, and of the relation of this to the future Canadian transcontinental of which all Canada dreamed. This inducement had procured for them generous financial support. So the complex and vexatious task of putting through the Manitoba connection had to be performed. Mr. Begg, in his excellent history of Canada, has stated the situation so succinctly and accurately, from the Canadian point of view, that his summary of it may be quoted here:

> Although connection was actually made from St. Boniface, with the St. Vincent extension of the St. Paul & Pacific Railway, at St. Vincent, Minn., none of the facilities for operating the branch had been made by the government. On the whole sixty-three miles of the Pembina branch there was not a single water tank, and, for want of a turn-table at St. Boniface, an engine running over the road to that point was compelled to make the entire return journey tender foremost. An arrangement had been made by the late government with the St. Paul & Pacific Railroad Company, giving that corporation the exclusive privilege of running trains over the branch for ten years; but, in making the arrangement, the government evidently overlooked the fact that the contractors had until the first of December, 1879, to complete construction. The latter stood out for their rights in the matter, and declined to relinquish any chance of profit that might accrue to them through the operation of the road while construction was still in progress, so the lease was never really effective. The contractors endeavoured to operate the road. They hired a locomotive and some cars from the St.

Paul & Pacific, and entered into a contract with the government for carrying the mails, but the want of facilities rendered their efforts unsatisfactory to themselves and the public, and resulted in a complete breakdown of the running arrangements just at the most critical season—the early spring—when a great quantity of freight and large numbers of passengers were en route to Manitoba. In this emergency the new government availed itself of a clause in the agreement made by Mr. Mackenzie with the St. Paul & Pacific Railroad Company, and gave a contract to Upper & Co. to equip and operate the road from Emerson to Selkirk, until the main line from Thunder Bay should be opened for traffic. So soon as Upper & Co. had the road equipped, they were, as assigns of the Dominion Government, required to carry out the terms of the agreement with the St. Paul & Pacific by interchanging traffic at the boundary. Upper & Co. made satisfactory arrangements with the American road, by which the latter were to run their trains through to St. Boniface until the former had the branch fully equipped. This arrangement gave great satisfaction to the inhabitants of the Northwest, for it was felt that the incoming tide of immigration would have less chance of being turned back at the boundary, as in former years, to the detriment of the country.

In reality, the tangle would not have been straightened out for months or perhaps years if Mr. Hill had not taken a hand quietly. The change of government in Canada had left everything at loose ends. The contractors stood on their legal right to operate the Canadian end of the line until the end of 1879. Naturally, they wanted to make hay while the sun shone. So they imposed outrageous charges; and as these must necessarily become a part of the through rate of the St. Paul & Pacific, it amounted to almost an embargo on business. At the same time it made the American line appear responsible, in the eyes

of shippers on both sides, for excessive charges that were a burden on trade Mr. Hill was not often caught, even by the unexpected, in a place so tight that he could find no outlet. He still controlled the Red River boats, constituting, with their railroad connection, the old traffic line which the new was to supersede. Until that happened, they could be used as a club to break down this scheme of high freights for the benefit of the pockets of the contractors. Late in January he wrote to Mr. Stephen, telling him to put a flea in the Government's ear:

"While we would very much prefer having the line to operate at once, I think we have command of the situation and can charge the same rate to Pembina that we would charge to Boniface if we operated the road, until the Red River opens; then we can make a rate of, say $10 per car higher to Winnipeg than to Pembina, and all freight will go by boat, as it will be landed in Winnipeg. The Winnipeg merchants will not stand the contractor's charge and will raise another Riel Rebellion. If the Government could be got to understand the situation, they would see at once that they are more benefited than any one else by our operating the line; and so much has been said about our contract I wanted to see the people of Manitoba ask the Government to carry it out, which they are ready to do, even going so far as to make it the action of the local Government, if you think best to have that done." As a matter of

fact, parties in close understanding with Mr. Hill bought out the interests of the Canadian contractors, the new Canadian Government was brought to realize that public opinion demanded the conclusion of the operating contract with the St. Paul & Pacific, and matters were arranged accordingly. The St. Vincent extension had performed its office in helping on the general plan; and its influence was felt all through the subsequent years in the controlling part that Mr. Hill took in inspiring and planning the western extension of the Canadian Pacific, and in the extensive ramifications of the future Great Northern system on Canadian soil. He wrote in his diary, January 29: "Stephen telegraphs me that Pembina branch will be turned over to us."

While clearing away these affairs, his mind was busy with the first step that the new railroad company, so soon as organized, must take. This was a step westward. Two reasons suggested a northward line on the west side of the Red River, to the boundary. One was the wonderful richness of the country, promising an influx of settlers and a heavy volume of new freight for the railway. The second was that here the Northern Pacific had threatened to parallel his line. Although a truce had been called, he reckoned that if he occupied the ground himself nobody could thereafter take it away from him. As early as January, 1879, he had lawyers draw up a form of special charter for a

railroad on the west side of the Red River; but after it was ready he found that the legislature of the Territory of Dakota had no power to grant it. Nothing daunted, they went to work on a general railroad law for the Territory of Dakota, to be put through Congress and open the westward path. Three years later his foresight was more than vindicated. Writing to Mr. Stephen in 1882, he said: "We were very fortunate in getting possession of the Red River Valley before other lines got a foothold. . . . Every day's observation convinces me that a railway in a new country is successful in the proportion its affairs are vigorously looked after. There is no substitute for hard work, and the value of a railway is its capacity to earn money." That, and not "high finance" was the fundamental conception of the railroad business from which he never departed. Of not many other men who have held the fate of great railroad systems in their hands, possibly of not one of his prominence, could this be said with truth. The Casselton Branch of his railroad, and the line west to Larimore, both in Dakota, were finished late in this year 1879.

The settlement with the Branch Line stockholders was a private negotiation, which was turned over to Mr. Stephen. He had to make terms with Mr. Litchfield, so that this stock might not turn up some day in other hands. In his diary on January 22, Mr. Hill entered this: "Stephen writes that he has settled with

Litchfield, but the fact must remain secret for some time. This is the happiest news I have received for many a day." Two days later, articles of incorporation of the St. Paul Union Depot Company were signed. In March an agreement was made with this corporation for some of the terminal property that the St. Paul & Pacific, as the first comer, had been able to secure, and that it must part with to insure the accommodation of all the railroads entering the city. No short-sighted policy controlled the action of Mr. Hill. He saw his own interests advanced by the growth of this railroad centre. He made a good bargain. The money came in very conveniently just now for the associates, all of whose extraordinary expenses were still going on. Yet he would not part, at any price, with a yard of ground that might be required some day, when his more ambitious plans should be revealed. He wrote to Mr. Stephen of the transaction in these words: "Mr. Kittson, Mr. Galusha, and myself met the Union Depot committee and made them the offer of the ground not needed by ourselves for $250,000. It takes a little more than one third of the available ground we have and leaves us about twenty acres for freight purposes, in a piece two thousand feet long. The price is a very large one for the property, and the money will be of great use to us, and I believe we have everything left which our line can possibly want even if it were 2,000 miles long." Very significant, those last words! The

same property could not be bought to-day for millions; in fact, it could not be bought at all.

Everything was now moving toward the consummation of the plan that has been followed in these pages since its birth in the mind of Mr. Hill. There might be troublesome details to attend to, but nothing could stop the certain march of events. The decrees of foreclosure asked for were granted March 15, 1879. Bondholders and stockholders had been dealt with, and all were satisfied. With his new career definitely before him, Mr. Hill parted with his business past by selling out his interest in the Northwestern Fuel Company. His hands were free, the preliminary work was done, and he and his associates proceeded to take definite possession of their heritage by organizing the new company for which the time was ripe in fact and in law.

George Stephen, Donald A. Smith, Norman W. Kittson, James J. Hill, and John S. Barnes, the last-mentioned representing the New York firm of J. S. Kennedy & Co., met in a law office in St. Paul, May 23, 1879. They were there to complete the work begun in effect five years before. Mr. Stephen was made chairman and Mr. Hill secretary of the meeting. Two weeks earlier the sheriff of the county in which St. Paul is situated had sold to these gentlemen, under foreclosure proceedings, the Branch Line of the St. Paul & Pacific Railroad from St. Paul to Watab for $200,000, but

subject to mortgages aggregating a little more than two millions. They now organized the St. Paul, Minneapolis & Manitoba Railroad Company, and appointed directors. The directors immediately met and made Mr. Stephen president. Common stock was fixed at $15,000,000, and the president or some one as his agent was authorized to attend forthcoming mortgage sales and buy in the other St. Paul & Pacific properties at foreclosure. The by-laws of the company authorized the appointment of an executive committee, consisting of three members, of whom Mr. Hill was named one, with this important provision, to assure swift and intelligent action: "The executive committee shall possess and may exercise during the intervals between the meetings of the board of directors, all the powers and authority of the board." This body for years guided the destinies of the new company. It acted first, with the celerity that the occasion often called for, and the board of directors simply ratified its acts at the next meeting. The other defaulting properties were bought in for the company at foreclosure sales early in June. Stock of the new company was given in exchange for that of the Red River Valley Company, controlling the Red River boats and the little line from Crookston to Fisher's Landing, and for that of the Red River and Manitoba Company, controlling the line between Breckenridge and Barnesville. These small but indispensable properties had been, as

already stated, either created or acquired by Mr. Hill in connection with one or more of the other associates. The system was compacted into a homogeneous whole and the westward push began.

At this time the total mileage of the system was 667 miles, of which only 565 were completed, and the balance under construction. The capital stock of the new company was limited by its charter to $20,000,000; and enough was issued immediately to the associates to pay the sum they had disbursed, and the rest to Mr. Barnes as trustee, until such time as the preliminary financial operations should be completed. There were also authorized at this time, June 21, mortgage bonds for construction and improvement to the amount of $8,000,000, at 7 per cent., with the proviso that the total amount of bonds outstanding should never exceed $12,000 per mile of completed road. In September another bond issue of $8,000,000 at 6 per cent. was authorized. It is interesting to note this drop of one per cent. in the rate paid on the second bond issue as compared with the first, with an interval of but three months between. So rapidly was the credit of the new enterprise established. In October all the stock and all the bonds that had been authorized, $15,000,000 of the former and $16,000,000 of the latter, were formally turned over by the directors to the four associates in payment for moneys, stocks, bonds, and other properties furnished by

them for the purchase or construction of the various lines. The first bond issue went to settle with the Dutch bondholders, and such others in this country as had been or could be reached. All possible outstanding obligations were gathered in. All of the second bond issue that was not held as working capital for the building already under way went to cover outlays of the previous year. In that year, 1878, before the new company had been or could be organized, 112 miles of track were built, and this was exceeded the year following. Much equipment was purchased. All these expenditures, met by money or credit furnished by the associates, had now to be made good by the company. The sum provided was none too great. Mr. Hill had been made general manager of the system in June. Everything was now in working order. An indebtedness of the old companies amounting in all to about $44,000,000 had been extinguished. The new company started with a total capitalization in stock and bonds of $31,000,000. It remained to be seen whether it could carry this and put real values behind the paper, or whether it would be added to the long list of railroad fiascos in the Northwest. In the latter case the associates still stood to lose all they had ventured and hoped for. For not one of them was faint hearted enough to unload his burden on anybody else, now that such a course had become possible. Indeed, those on the inside hugged to themselves their knowledge of the

intrinsic value of this property which was going to bring them "wealth beyond the dreams of avarice."

Such was the genesis of one of the great private fortunes of the United States; and it is proper to consider at its source the origin and growth of the wealth of Mr. Hill. In an era when money was often ill-got and oftener ill-used, the possession of large quantities of it became a sort of stigma. Men were abused simply because they were millionaires, without regard to either how their millions were obtained or how they were employed. Some few people in the muck-raking period included Mr. Hill in their general denunciation of the rich man as a criminal *ipso facto*. But the public as a whole showed juster discrimination. He alone, among the very wealthy individuals of his day, was singled out for a respect revealed by unmistakable indications. In diatribes which mentioned the names of persons whom current oratory classed with Dives, his was rarely found. The features of not a few men noted for their wealth became better known through cartoons and abusive caricatures than by the publication of their portraits. Always you would find their distorted visages in some one of those Dante's circles that the moralists of the press held up to the world as terrible examples. Only in rare instances could the face of Mr. Hill be discovered there; and then only when fun rather than venom moved the pencil. With a sure instinct, the rough and ready censors of public morals distinguished a difference be-

tween him and the rank and file of the extremely rich. That difference rests on two facts: the natural and legitimate origin of his great fortune, and his steady refusal to add to it by means that were not morally as well as legally free from reproach.

The root of that fortune had been planted. But in what rocky soil, and subject to what chances and what storms! Only a few persons of insight and familiarity with local conditions would have given the associates anything at all for the stock that was issued by the St. Paul, Minneapolis & Manitoba Company in 1879. The destination of the proceeds of the bond issues has already been indicated. Each of the associates did receive at the end of his adventure whatever his one fifth of the stock might some day be worth. But in the glamour of success one is apt to forget the years of work, of planning, the tremendous labours, the hazardous chances which foregoing chapters have sought to describe with fidelity to truth. Far more than this amount has been made again and again by a turn in either business or finance, by some operation which involved nothing more than taking advantage of special knowledge or of some happy chance that came floating by. These men had dared everything. They had faced apparently insuperable obstacles and accepted desperate ventures for years. Most people still thought them visionaries doomed to shipwreck. What they received through the organization of the St. Paul,

Minneapolis & Manitoba would be, according to modern ideas, a very moderate commission without taking account of work and risk. Value was put into it only by a lifetime of the most careful planning, the most masterly organization, the most unrelaxing labour. The basis of their fortunes, judged by any accepted standard, is sound and above reproach.

It will be seen, as this story progresses, that the accretions brought by the years were equally deserved, when submitted to the rigorous judgment of business honour. Mr. Hill believed steadfastly in the American Northwest and its development. This railroad enterprise was for him no speculation, else he might a thousand times have taken a big profit and withdrawn from it. It was a great constructive work, whose future he had gauged. If he was right, then it must also be one of the most splendid opportunities for investment that this country ever offered. As such he held it. He never set his private fortune above that of the railroad system of which he was the head. At every moment he stood as ready, should need arise, to turn over to it every dollar of his own as he had been to put everything in pawn to buy those old, dishonoured bonds. The risk was his. So was the profit. If a man had bought a block in the heart of New York City in 1879 and held it for thirty-five years, he would have become many times a millionaire. No reflection would rest upon him because he had made a

fortune through his own foresight of the growth of the city and its industries. Mr. Hill not only made just such an investment in the Northwest, but he did what the other man did not and could not do. He originated and made possible the improvements that were to give his property special value.

Because of what he did to create the Northwest, where property values of billions of dollars grew from nothing, the railroad property grew to a value of hundreds of millions. Always scrupulously he took only his rightful share. He never speculated in the railroad's securities or permitted those whom he could control to do so at its cost. For years he and his friends maintained a cash pool in New York for the purpose of buying in the railroad's stock if the bears attempted to raid it. After that became known, it was never subject to any but the ordinary market fluctuations. The policy was purely protective, and any attempt to manipulate prices was forbidden. Those who tried to force the stock up or down for speculative ends got their fingers pinched, and afterward let it alone. He paid back to every man or woman who put a dollar in the property the principal with interest. In a time when railroad presidents received salaries immense enough to invite criticism even according to the liberal ideas of the day, he refused to take a dollar. During the twenty-five years that he held the office of president and the five years that he was chairman of the Board of Directors, he would

accept no pay. The profit on his investment in the property, he said, stubbornly, in answer to all propositions to vote him a salary, was sufficient compensation for his services. He never permitted a dividend to be passed. The stock of his company was as good as its bonds. If one takes pains to compute the amount paid out from the beginning in interest and dividends by his railroad, and compares that with the growth of his personal fortune, the latter will seem a modest recompense. But the distinguishing feature of it among fortunes that have grown out of financing and managing railroads is that every dollar accrued in a strictly business way; a reward of labour whose value is everywhere recognized to have been unique, and an income from an investment in property which the growth of the country was to multiply in value again and again. No honest inquirer has ever been able to find a "tainted dollar" in the fortune of James J. Hill.

Everything indicated that the happy fortune of the new enterprise would not be long delayed. The Northwest was prospering inconceivably. Minneapolis was still only a little manufacturing town about the Falls of St. Anthony, with pasturing cows tethered where sky-scrapers now stand. But the Minneapolis mills made a million and a half barrels of flour in 1879, and their product was known in and sent to every part of the United States. A summary in the Chicago *Times* of that year placed the wheat crop of the state

at more than 37,000,000 bushels, with 21,000,000 of oats, and other crops in proportion. Its table of property valuations showed that public gain in wealth was far ahead of any additions to the most swiftly increasing private fortune.

| | |
|---|---|
| 1865 | $45,184,063 |
| 1870 | 87,133,673 |
| 1875 | 218,855,743 |
| 1879 | 242,489,038 |

"When I took possession of the reorganized St. Paul & Pacific Railroad in the midsummer of 1879," said Mr. Hill in a public address nearly twenty years later, "the road had carried during its last fiscal year 2,183,000 bushels of wheat. Of the crop of 1891 it carried 57,000,000 bushels, more than one third of all the spring wheat raised in the United States. Of the crop of 1895 it carried 67,000,000 bushels of wheat, or thirty-three and a half times as much as sixteen years before." This is an index of the rapidity with which settlers came into the country, and a measure of the enormous additions that their production made to traffic of every kind, and to the property value of the railroad that was their principal or only carrier.

Merely to keep pace with this local growth would have been a remarkable achievement. This was, however, a small part of the task performed. For the first fifteen years after Mr. Hill took charge of

this system, one mile of railroad on the average was built and equipped for each working day in the year. And, while this nerve and muscle racking construction, with all the problems it involved, was going on, policies of every sort had to be determined and forces of the most diverse character set in motion or restrained. One or two passages from letters written during this year are worth more than ordinary notice, because they express lines of action that were fundamental with Mr. Hill; because, in some measure, they convey his ideas of what a railroad is for, and how it should set about accomplishing the purposes for which it really exists. These principles have not been sufficiently common in the history of American railroading to deprive them of the charm of novelty.

His steamboats were still running on the Red River, and here is what he wrote to the captain of one of them, after receiving some complaint of custom house difficulties: "I have to ask you to give positive instructions to all your men to comply fully and fairly with the rules and regulations of the customs departments on both sides. This must be done cheerfully and promptly by our men, or we will have trouble on both sides of the line. *If we want the protection of the laws we must not be law breakers.* If any of our men gets into trouble with the customs at Pembina, his discharge from the service of the company will follow." Writing to Mr. Stephen about the peace negotiations

with the Northern Pacific, he said: "I have written this to give you an idea of how necessary it is for us to avoid any conditions, in whatever lease we make, that will give any one the right to control in any way our rates. It is our best interest to give them low rates and do all we can to develop the country and create business." Then, going far afield, he answered a letter urging him to encourage tree planting on the vast open stretches of the Northwest by pledging to it his sympathy and assistance. The reason for his interest appears in the closing sentence, which sounds the key-note of his whole life and achievement as a railroad man: "I desire to say that we consider ourselves and the people along our line as co-partners in the prosperity of the country we both occupy; and the prosperity of the one should mean the prosperity of both, and their adversity will be quickly followed by ours." This, be it remembered, is not an utterance of modern days in which regulation has taught railroad men moderation and the reality of a dual interest in the community. These words were written nearly ten years before the passage of the Interstate Commerce Law; when, to a large extent, the will of the railroad manager was law to the people of the communities that had to depend upon him not only for prosperity, but at times for the means of preserving life itself.

## CHAPTER FIFTEEN

### BUILDING THE CANADIAN PACIFIC

IF ONE had been asked to state the most wildly improbable thing that the men who had undertaken the tremendous task of organizing and completing this railway system could be persuaded to do at this moment, he must have said, if a thought so fantastic had occurred to him at all, that it would be to assume at the same time the construction of another transcontinental line, still farther north, under the jurisdiction of another power, through country less known and destined to be settled only after many years, against all the difficulties, material and financial, that blocked the way. Yet that is exactly what they did. The glamour of Mr. Hill's performance in connection with the St. Paul, Minneapolis & Manitoba and the Great Northern has obscured the fact that to him more than to any other man was due the building of the Canadian Pacific at this time by the route that made it a success as a carrier and as an organ of development for the Canadian Northwest. If he had not built or operated a mile of railroad in the United States, he would have found himself entitled to no little fame on this score; and his name would have been writ-

ten in the list of benefactors of the Dominion of Canada.

To this labour he and his associates now addressed themselves; and the reasons for their apparently quixotic undertaking were valid, and their foresight was justified. These reasons, to be considered in their order, were: the value of the new line to their own original enterprise; the impulse of patriotic interest, all of the associates being Canadians by birth or adoption, and their place and hope in the growth of Canada requiring Mr. Stephen and Mr. Smith at least to lend themselves to a project that had so long been dear to the Canadian heart and had inspired much of their interest in the St. Paul & Pacific purchase; the prospect of a favourable issue made stronger by the pledge of government support, which had not been asked or desired for the American line; and the results of the first year's business of the latter, which showed them that they would never be embarrassed by it financially. Within this first twelvemonth they were already out of the woods so far as the St. Paul, Minneapolis & Manitoba was concerned. It could read its title clear.

Mr. Hill's own plan, contemplated taking possession of the whole country between the northern limit from which the Northern Pacific could hope to get business and the Canadian boundary. It contemplated the extension of his road to the Pacific coast. There would be, therefore, a frontier of nearly

two thousand miles where he must drive his feeders northward, and where he must make connection and exchange business with the line, certain to be built by somebody, that should connect Winnipeg and, later, Montreal and Halifax with Vancouver, on Burrard Inlet, in British Columbia. It was highly important that there should be no wars, and as few misunderstandings as possible, with this power soon to arise. The best way to secure this desirable consummation was to be that power yourself. Already the threat of the Northern Pacific to invade the Red River Valley and its propositions to the Canadian authorities had given uneasiness to the associates. Worse might follow. Late in 1880, after the Canadian Pacific project was practically assured, Mr. Hill wrote to Mr. R. B. Angus, vice-president of his railroad, as follows: "You will see in to-day's paper a number of railroad schemes in the Red River Valley mentioned by a Fargo correspondent, but when they learn that our friends control the Canadian lines north of the boundary they will not find it worth their while to build lines looking toward that country, as the connections will be preëmpted in our favour." This put in a nutshell one of the reasons for securing control of the Canadian Pacific project. It was high railroad strategy to command both sides of the international line.

Considering the prominent position politically of Mr. Smith in the affairs of the Dominion and the in-

fluence of Mr. Stephen in its finances, these men could not afford to refuse their aid to the consummation of a plan on which the hearts of the whole Canadian people were set. The latter wanted a Canadian transcontinental road; had wanted it for ten years desperately; were pledged to British Columbia to build it as a condition of keeping that province in their confederation; saw two such lines pushing westward just south of them; believed that they must be up and doing if their future expansion were not to be subject to American veto or, at best, American domination. It would not do for these influential men to withhold any support they could give to a home interest, at the very time when they were venturing so largely and so successfully in exactly the same field on American soil. Nor was Mr. Hill proof against somewhat similar considerations. The most thoroughgoing of Americans, and never for a moment contemplating a permanent association with what Mr. Farley might justly have called "a Canady projeck," he had, as all men who are worth anything have, a tender spot in his heart for the country of his birth. Apart from obvious self-interest, he would be glad to assist the natural aspiration of Canada for a railroad that she must inevitably secure in the near future if he lent a hand.

To reasons of policy and of sentiment were added other reasons quite substantial. The new line would be built with ample government support, both in land

grants and in loans and bond and stock guarantees. The Canadian Government, once committed, would have to see the thing through. The associates were really lending their knowledge and experience, both invaluable to the Dominion, rather than their money or credit; though Mr. Smith and Mr. Stephen had later to supply both. Mr. Hill's idea, which he carried out, was to help put the work on its feet, and then withdraw from it when no harm could come to it from severing the connection. He could assist his friends materially, incidentally benefit his own line, and then leave matters in their hands while he followed his own predetermined course. In the meantime, there was a real immediate advantage to accrue to the St. Paul, Minneapolis & Manitoba. Construction material of every sort, men, supplies, and, later, equipment for the new line in Canada, must be assembled. They could be taken to the spot only over the lines of the American system. It made an acceptable accretion to its business. It would contribute to freight receipts. This business would last for several years. The situation, with all these side lights thrown upon it, not only justified, but actually seemed to require the assumption of the Canadian Pacific project, that looked so mad on its face.

Most of all, perhaps, were the associates cheered to the task by the performance of the system which they were only beginning to lick into shape. If they

had been fighting a doubtful battle to hold what they had obtained by the purchase of the St. Paul & Pacific, they could not have afforded another such venture. But they could now be certain that their base of supplies was secure. They did not have to worry about ways and means on the St. Paul, Minneapolis & Manitoba. As a justification of the unwavering faith of Mr. Hill through his years of lonely struggle, some records of the business of the new railroad system, relieved of its past and now under the direction of the man who was to prove himself the ablest manager that this country has produced, are worth a glance. The figures are so astonishing that they are given in the Appendix* for the fiscal year 1878, the last full year under the old régime, and for 1880, the first under the new.

In brief, the increase in net earnings over the year immediately preceding was more than a million dollars, or 54 per cent. The net earnings were more than 60 per cent. in excess of interest on the bonded debt. There were, March, 1880, only a little more than $2,000,000 of the old bonds still outstanding, and these were speedily acquired or extinguished. By October 14, 1880, Mr. Hill could write, "Yesterday we hauled 130 carloads of wheat into Minneapolis. This would have been considered good receipts in Milwaukee ten years ago." Two hundred miles of new line in Dakota were being

*See Appendix, Document VII.

built at the rate of a mile and a half per day, while steel was being put down on the main line at the rate of two miles per day. Two short lines in Minnesota, useful to round out the system, were bought. By the end of the year he said, in a letter dated December 28, "We have under contract for next year about 225 miles, which will give us, say 1,090 miles of railway, every mile of which is in good local country and about half of it in the Red River Valley. . . . During the past eighteen months we have laid 26,000 tons of steel, and have 12,000 bought for next year." There must, of course, be a larger financial base for a system growing like this, every mile of new line being a money-bringer from the start; so it was ordered by the Board of Directors in October that there should be issued $6,000,000 of 6 per cent. bonds against lines thereafter constructed or acquired in the Territory of Dakota. Seldom has a newcomer conquered so quickly a position so honourable as that of the new system in the financial world. Mr. Hill wrote to Mr. Angus, October 14: "I received your message to-day advising of offer made by Winslow, Lanier & Co. for our bonds, which is as I wired you entirely satisfactory to me, if yourself and Mr. Stephen who are on the ground think well of it. I am sure it is gratifying to have our bonds as well received as those of the Chicago & Northwestern, especially as our company is comparatively unknown."

Other interests were looked after as carefully. There was a double purpose in having more than a close connection with the milling industry at Minneapolis, now the most important single business interest in the Northwest. Mr. Hill never lost sight of the farmer, and tried to keep him out of the grip of people who would squeeze his last dollar from him and drive him discouraged from the soil. He meant to see that the farmer had a fair show in marketing his grain. Also, the control of the mills meant the carriage of much raw material into Minneapolis and of the manufactured product out. This was good business for the railroad. It helped in other ways, especially in the exchange of traffic with systems running east from St. Paul. The water power, on which the mills still depended, was acquired. The details were given in another private letter from Mr. Hill, under date of April 23, 1880: "On the 16th instant we completed the purchase of the St. Anthony Falls Water Power, making the first payment $100,000 in cash. The deferred payments in three instalments of $100,000 each, due in one, two, and three years, with interest at 7 per cent., were to remain as a mortgage on the property; but we found it impossible to arrange in that way without subjecting ourselves to inconvenient restrictions in dealing with the property. For the purpose of obtaining immediate and absolute control we undertook to substitute the individual notes of Hill, Kittson,

Stephen, and Angus, collaterally secured by deposit of second mortgage bonds of the railway company for an equal amount, $800,000. We are at liberty to pay any or all of these notes in anticipation of maturity and are entitled to obtain surrender of an equal amount of bonds along with the notes for principal and interest." What a transformation! Ten months after the organization of the railway company whose financing had required years of doubtful, and at times, agonizing effort, the securities of that company were available for financing a transaction of the size of this.

Without a moment's rest went on the preparations for the westward march. No matter how pressing matters were, Mr. Hill was always gathering and storing in his wonderful memory every fact that could be of service in the projected extension of his system to the Pacific. When he was scarcely more than warm in his seat of power, he wrote, November 24, 1880, to Paris Gibson, years afterward to become United States Senator from Montana, the following letter: "It will give me great pleasure to see you during the coming winter and to hear from you a description of northern and western Montana. If it is not too much trouble you can get me a description of the country lying at the foot of the mountains between the Missouri River and latitude 49, for a distance of one to three hundred miles and as far east as you can get information; also the

number of cattle now in the Sun River, Teton, and Marais River valleys, and any other information that you think will aid me."

The idea of a railroad from ocean to ocean across Canadian territory was as old as the compacting of Canada into a political entity. Nobody doubted its ultimate construction. The only questions were "when" and "how." It was a political quite as much as a business need. From the moment that ambitious minds in the British colonies of North America began to entertain the dream of consolidation and the possibility of future empire, a Canadian Pacific railway was an essential prior condition to the realization of any portion of that vision. Nothing less than a single authority stretching from the Atlantic to the Pacific was worthy of their continental situation and ambition. Without means of communication a united Canada could not maintain itself, could not really exist. Exactly as the Union Pacific and the Central Pacific were started in the United States to bind the Pacific Coast commonwealths, isolated, independent, and jealous, to the rest of the Union, so the entry of British Columbia to any union of the provinces could not be secured or safeguarded without the binding promise of a through railroad line. It was made a condition of her entry into the Confederation by which all British North America became one political entity. Canadian political managers were the readier to make the pledge because they saw that it was indispensable

to unity and progress, whether British Columbia were satisfied without it or not.

As early as 1871 a reconnaissance of the country lying west of the Great Lakes was made at the instance of the Dominion Government, to ascertain the possibility of building a railway to the Pacific coast; and a resolution was moved in the Dominion House of Commons for its construction. Private initiative was to be assisted by public grants of land and cash. The first charter for the Canadian Pacific was granted in 1873. The length of the line according to these original plans, afterward discarded, was to be 2,200 miles. Actual work began in 1875, and, within three years, more than one hundred miles were built on each end of the Thunder Bay division, 199 west of Selkirk, and a beginning was made on the other end, in British Columbia. In all, between 1871 and 1878, between $2,000,000 and $3,000,000 were spent, and from 40,000 to 50,000 miles of surveys and observations were completed. Of course there was as yet no thought of immediate building through the terrible country north of Lake Superior, in a direct line from Montreal or Toronto northwest to Winnipeg. The idea, for the present, was to connect Winnipeg with Lake Superior at Fort William, then build westward from Winnipeg to the Pacific, and thus secure an all-Canada lake and rail route.

The work dragged along, because it was tied up with politics. Fruitful in scandalous financial transactions

though some of the earlier railroad enterprises in the United States were, they could not eclipse the scandals of the first Canadian Pacific project; for these were mixed with party politics. The party in power used it to reward friends, and held out the hope of actually accomplishing something as a reason for one more lease of office. Finally, when the government was overthrown and Sir John Macdonald returned to power in 1879, he suspended the whole undertaking, and sought some arrangement with private individuals who would put it through as a business project, dissociated from the quarrels of party and the spoils of place. Considering the influence of Mr. Smith and his position of political power and experience in the railroad world, considering the similar experience of Mr. Stephen and his position of financial power and experience in the railroad world, considering the brilliantly successful connection of them both with the St. Paul, Minneapolis & Manitoba, whose launching was now the wonder and admiration of all, expectation and hope turned naturally first to them. The reasons just stated were enough to induce them to take charge. The plain necessity of gratifying the wishes of the people of Canada—for the continued adhesion of British Columbia to the Confederation would be jeopardized if fulfilment of the promises made to her were much longer delayed—the impatience of the party now in power to be rid of a white elephant and the extreme desirability of securing this combination of

powerful and skilled men to assume responsibility, enabled the members of it practically to dictate their own terms.

A syndicate was, therefore, formed, the moving powers of which were Mr. Hill, Mr. Smith, Mr. Stephen, and Mr. Angus. This was in the summer of 1880, and their negotiations with the Government were prolonged into the next year, although the terms were practically settled when they consented to undertake the work. Mr. Hill was never given to claiming public credit for his achievements. Neither was it to the interest of the new syndicate that he, a representative from the United States, should appear to take precedence in any respect of the members who were Canadians in both fact and interest. Consequently the share that he took in the creation of the Canadian Pacific was kept in the background at the time and has never emerged into full daylight. As a matter of fact, that system owes to his genius a debt in some respects as great as that of the Great Northern in its earliest history. He had a better knowledge of the country through which the line from Winnipeg to the Pacific Coast must pass than had his Canadian associates. His policy of gathering facts from every source—from books, from personal observation, from the reports of engineers and prospectors always in the field and reporting to him personally, from replies to letters like that to Mr. Gibson just quoted—aided by his power of storing facts and recall-

ing them at need, made him the best-informed man in either country on ways and means for the new project. By reason of this familiarity with all essential details, the location of the new line was turned over to him. To the burden that he was carrying as the general manager of a system now ranking high in this country in both mileage and business, to the planning and supervision of construction work now proceeding at a rate hitherto unknown in American railroad building, was added primacy in the huge task of locating a new transcontinental line.

This was the more onerous because he knew perfectly from the beginning that his interest could be temporary only. Reasons of policy required him to give his services In a few years other reasons of policy would oblige him to sever this connection altogether. The interests of neither system could be served by a relation that must inevitably soon lead to jealousy and dissatisfaction on the part of both. He set to work, nevertheless, and located the Canadian Pacific with reference to the route most available for construction and most promising for traffic. He selected the passes by which it must penetrate those hundreds of miles of mountain fastnesses that make the Canadian Pacific line one of the scenic wonders of North America. At the same time he busied himself with the details of the agreement to be made between the syndicate and the Canadian Government, in order that these new labours

might not be without fruit on either side. In a letter written in September of this year, 1880, by Mr. Angus to Mr. Stephen, the former, after discussing some of the financial details, added this witness, very interesting to-day, to the sound judgment of Mr. Hill: "Hill says it will not be long before people will be astonished at their stupidity in allowing such a chance to escape them, and he regards the venture as more promising than that which the associates are bringing to a successful development."

The drawing up of an agreement which should be satisfactory to the Government of Canada, publicly responsible for it, to the Dominion Legislature that must ratify it, to the people of Canada who would never forgive a serious mistake in its terms, and to the men who were actually to build the line and find the money was no slight affair. The mind of Canada was fixed on a real transcontinental rail line, connecting an ocean port on the Atlantic with one on the Pacific. The idea touched the public imagination there, just as it had years earlier touched that of the people of the United States. This railroad was necessary to cohesion. It was the sop that must be offered to British Columbia. But practical men, who knew that the dream would sometime be realized, knew also that to attempt this immediately would ruin the whole project There was no demand for and no possibility of providing at this time the direct

east and west line through the wilderness of forest, morass, and primeval rocks north of Lake Superior. Not only for the builders of the line, but for the Dominion itself, the construction of the western section was the thing of immediate prime importance As Mr. Hill tersely put it in a letter about this time, "A mere line of iron from ocean to ocean would do nobody any good, while the settlement of the country is the great desideratum." And again, "The success of the whole scheme depends upon the development of the prairie country and the opening of communication with the Pacific, and every effort should first be devoted to that end." Here, when Mr. Hill was merely giving his advice to others, when the work in hand was one in which he could have no lasting interest and with which he knew that he should not long be connected directly, he was no more willing than he was in enterprises closer to his pocket and nearer to his heart to grab for a subsidy, and drive a profitable bargain regardless of the value of the work in itself. The desirable plan was to include in the agreement such provisions for the eastern end of the line as would satisfy public opinion, without binding the contractors to conditions that could not be fulfilled, under penalties that might mean ruin. How carefully he studied it in all its details and how sound was his judgment can be understood from the following letter to Mr. Angus, of July, 1880, when the framing of the proposition between the

Dominion Government and the contractors was under way. It is so illustrative of the workings of Mr. Hill's mental machinery when applied to problems of the largest scope that it is given here entire:

"I have read your letter of the 2d carefully and think there is no possible doubt about its being a perfectly feasible and financially sound operation as far as concerns the lines west of Winnipeg, and even the Thunder Bay line can pay operating expenses during the summer months; but as regards the Nipissing and Thunder Bay line I have no actual knowledge upon which to give an opinion worthy of consideration. My only knowledge of that country is what I have been able to pick up from Hudson Bay sources and others who have been there, and it is most unfavourable for the operation of a railway as a financial success. I am not at all sure that there would be very great difficulty in building the line as a whole (there must be some very bad ridges to cross or tunnel) but after the line was completed I cannot see that it would have any local business whatever for some time, and the through traffic would not afford it enough money to meet the payrolls and fuel, saying nothing of repairs and renewals. During the summer months it would have to compete with the Lakes via Thunder Bay and the American lines over our own road, and in the winter I cannot see how it could get enough business to justify the running of trains. I think it would not be safe to count the cost per train mile at

less than $1.80, which would be $1,170 per trip of each train over the 680 miles, or for a daily train each way, $2,340. I have made the cost per train mile considerably higher than the average and about 50 per cent. higher than I would estimate on the line west from Winnipeg, but I think it only safe to make that allowance for a country where the actual traffic would be so light. The ratio of reduction in cost per train mile would be directly controlled by the increased number of trains to do a heavier business, the fixed expenses remaining the same. If possible, I think with what knowledge I now have of the country it would be best to try and get the Government to postpone the Nipissing line for the present at least, for the reason that the Government, the country, and the proposed company would all be much more benefited by the early construction and completion of the line from Thunder Bay to the Pacific and the opening up to the markets of the world of the prairie (grain and stock) country west of Winnipeg to the Rocky Mountains.

"I have just had our passenger department make examination, and Mr. Alexander assures me we are carrying fewer people into Manitoba this year than last, and many of them are returning to Dakota. I presume it would not be easy to make the Government understand that we would prefer to have the people remain in Manitoba; but you will readily see how it reduces our earnings if emigration to Manitoba is

stopped or even checked in the older provinces. Our loss is not confined to the passengers, but extends to the whole traffic of the country north of the line and the whole volume of business is reduced. I have noticed this more during the past five or six weeks, and in striking contrast with stations on our own lines. If the line was built west from Winnipeg to the Rocky Mountains fast enough to meet the line from the Pacific side when finished to the Eastern slope, and a very liberal land policy adopted both by the Government and the railroad company, I would favour the latter giving a half or two thirds of their land grant on terms securing cultivation which would bring the lands to the settler at about 50 cents per acre, in order to induce emigration from abroad and from the older provinces. Establish live agencies in Great Britain, and try and get parties of wealth to establish colonies, giving settlers long time to buy the lands, etc. I write thus at length because I believe a great deal could be done to settle up the prairie within a comparatively short time, and every effort should be turned to that end and prevent the present limited stream of emigration from being entirely checked. Again, the line from Thunder Bay to Nipissing will not be of any service whatever for many years to come. Would it not be a much better arrangement for the Government to have the all-rail line run via the Sault Ste. Marie where it would have a local timber and mineral business both sides of the line?

"As regards the cash subsidy, I think it would be much better to get the Government, if possible, to pay the whole amount and retain, say 5,000 or 8,000 acres of land as a guarantee for the completion of the line, west of the prairie work; but if they deduct any cash, let it be $2,000 and 4,000 acres of land; i. e., 20 per cent. of the bonus on the first 1,000 miles. The company should have the location of the line and should build a good substantial railway, according to the specifications or equal to the Union Pacific, as might be agreed upon. All rails and material should be duty free to the railroad company. You will see by this hurried note that I am a little afraid of the Nipissing line, which I believe to be a mistake, if the Government can be at all induced to take the line via Sault Ste. Marie instead; at the same time I am not well enough informed to make my opinion of value except as to what I believe would be the result of operation of the road when built. On the other hand, I believe most fully that the country west could be opened up as rapidly as were Illinois, Iowa, Wisconsin, and Minnesota, and possibly faster; but bear in mind that the four states named have been forty years in coming forward from the condition of the Northwest at present, and fifteen or twenty with the aid of railways. After there was a settled belt along the line to the Rocky Mountains, the best country would begin to open up; and when the people were in the country and there was some business

created, a line east via the North Shore might be considered.

"Again in reference to the line west I think that all energy and capital should be applied to it, and have it completed as early as possible; then get a good steamship company, which I presume could be had from the Clyde or elsewhere, and connect the Pacific terminus with San Francisco and coast points and make rates direct to New York, Chicago, Boston, etc., against Gould's Union Pacific, and either get the business or a good share of it or force him into a pool. I am so anxious to have this go forward by first mail that I have written somewhat disjointedly, but have tried to cover the main points as they occurred to me.

"When I see so grand an opportunity for the Dominion Government to open up a vast area of good country that will give them wealth, people, and power, I cannot refrain from urging a policy that it seems to me cannot help realizing the best results ever attained in any country; and at the same time I would be very sorry to have the time and money spent in building a line that, when completed, would be of no use to anybody and would be the source of heavy loss to whoever operated it. The Thunder Bay line will certainly need all the help the Eastern business will afford it, but to make it and the proposed Nipissing line live off what traffic there is east from Winnipeg would be like giving them a stone when they ask for bread; and in estimating

the business east from Winnipeg I include the whole Northwest, not intending that any should come via St. Paul. If I can be of any service I will be ready at any time to go East on your telegram."

Read in the light of Mr. Hill's newness to practical railroading, studied with reference to the fundamental principles laid down for the relation of the railroad to the public, and of efficiency and cost of operation to practical results, this letter is remarkable. To the end he insisted that the terms of this contract should be such as would relieve the associates of tasks that they could not promise to perform with honour or fail to perform without disaster. The project was hammered into shape, but it took all the rest of the year 1880; and not until the tenth of December did the House of Commons receive the proposed Canadian Pacific contract, bearing the signatures of Sir Charles Tupper for the Queen and her Government on one side, and George Stephen and six others, one of whom of course, was Mr. Hill, for the syndicate. "Sir Donald Smith's part in the construction of the Canadian Pacific," said Mr. Hill in after years, "was mostly to obtain pledges of funds for the work. The burden of actual financing fell on Mr. Stephen." That of location and construction rested mainly on Mr. Hill. In brief, this agreement, which was not ratified until a couple of months of bitter debate had dragged along, becoming a law February 17, 1881, provided that the railroad was to be

completed from Montreal to Port Moody within ten years from its date. The company was to receive a cash subsidy from the Government of $25,000,000, and 25,000,000 acres of land, in blocks alternating with the public lands, along its line. It was to receive also, without cost, all lands required for stations and shops, together with the substantial gift of all the lines already built and being built, which were now estimated to be worth some $30,000,000. It was to have the privilege of importing free of duty all materials used in constructing its line, and to be exempt from taxation for twenty years. No competing lines were to be permitted for twenty years in the territory between the Canadian Pacific and the boundary of the United States. Some other guarantees in the matter of loans were by no means unimportant. The Canadian Government pledged itself to the payment of 3 per cent. on the stock for a term of years, and to 3½ per cent. interest on $15,000,000 of bonds. These seemed extraordinarily liberal terms, and as such they were denounced furiously by the Opposition Party in the Dominion. Nevertheless, it is a fact that, before the line was finished, Mr. Stephen and Mr. Smith were obliged to pledge their private fortunes to keep the work from failure. Before this Mr. Hill had withdrawn.

In order to complete the account of this episode in Mr. Hill's career, it is necessary to anticipate again slightly the chronological order of events. The syndi-

cate started construction in 1881. From that time forward everything was driven at break-neck speed. Mr. D. C. Shepard, the principal contractor, noted in a memoir written at the time the following: "In fifteen months, commencing May 1, 1882, our firm built 675 miles of the Canadian Pacific Railway, from Oak Lake to Calgary, in doing which there were moved ten million cubic yards of earth; and all the timber and piling used in building bridges, culverts, and other structures in the roadbed was hauled ahead from the end of the track and placed in the work before the track was laid. While laying the track on this line, six miles and 660 feet of track were laid in a single day." That was railroad building as Mr. Hill had conceived it, but as it had not been realized anywhere in the world before this time. For two years he gave all the attention and effort that he could spare from his own system to help his associates force the Canadian Pacific ahead. By that time it became apparent that a continuance of the relation could not be beneficial to either party. Public opinion on each side of the line was somewhat mystified and not a little apprehensive at the spectacle of the same set of men building or preparing to build two transcontinental lines under the auspices of two different flags. Fear of monopoly, and the agitation which led to the passage of the Interstate Commerce Act a few years later, were strong. Mr. Hill's own transcontinental scheme was now fully settled upon. In

the near future, the companies would become strictly competitive; and joint control, even though involving only the individuals and not the investments, would be unwise to attempt and impossible to maintain. A crossfire of hostile criticism which it would be foolish to provoke must destroy it quickly.

So, May 3, 1883, Mr. Hill resigned his membership in the Canadian Pacific Board of Directors. The Canadian associates, meantime, though reluctantly and with regret, came to Mr. Hill's way of thinking. The two schemes were too great and too diverse to acknowledge any sort of common control. The people of Canada, who were subsidizing so largely their new transcontinental line, were jealous, fearing that it would be but a tail to the St. Paul, Minneapolis & Manitoba kite. They might have spared themselves uneasiness, as the people of the American Northwest later on might have saved themselves from trepidation on the one side and injustice on the other, if they could have read the mind of Mr. Hill. He was not seeking advantage for himself at the cost of others to whom his loyalty was engaged. In December, 1881, at a time when he was powerful in the councils of the Canadian Pacific, he wrote the following to Mr. Angus. It shows his capacity for seeing the other side, the just side, the far-reaching implication of events: "It seems to me that the entire Dominion of Canada, which is paying so large a bonus for a Canadian Pacific Railway, has a direct

interest in preventing the business of this new Northwest from being diverted to our American lines, to American markets; or, in other words, after their bonus has created a new country and a large business, to hand it over to other lines and other markets. If Canada does not use its Canadian Pacific Railway to bind together commercially the older with the new provinces, they will have made a poor bargain and will have difficulty in maintaining a permanent political bond between the sections."

This breadth of view and magnanimity of purpose, however, could not be known to the rank and file of the Dominion voters. Political struggles there were then conducted with a bitterness exceeding that of the none too courtly engagements of American parties. The Canadian Pacific project was, by its very terms, tied up with the rivalries and the fate of political parties and leaders in the Dominion. However much to the economic advantage of both transcontinental systems a common control might be, the political objections were too many and too cogent to permit it. The withdrawal of Mr. Hill from the one could not soothe suspicion or allay opposition, so long as Mr. Smith and Mr. Stephen were prominently identified with the others; the new American enterprise which, as everybody now might see, was headed also for the Pacific Coast. Therefore, July 12, 1883, Messrs. Stephen and Angus resigned as directors of the St. Paul, Minneapolis & Manitoba. It is interest-

ing to read the statement of their reasons sent to Mr. Hill personally, explaining their attitude and their intended future policy in detail to the man who had for so long been the head partner in their common work and whom they so greatly esteemed:

"Neither of us has any intention of materially reducing our holdings in the stock, so long at least as the policy of the company is not hostile to the Canadian Pacific Railway, for which we are more immediately responsible. We are of opinion that, while the two properties are and may continue to be entirely independent of each other, both have much to gain by the maintenance of an intimate and friendly alliance. Such an alliance it will be our aim to preserve and extend as far as possible.

"We cannot conceive of any reason why the two concerns should not be worked in harmony and to their mutual advantage. As you are aware, it is the intention of the Canadian Pacific Railway Company to push the construction of its line as rapidly as possible to the Pacific Ocean. The traffic accruing to the St. Paul, Minneapolis & Manitoba Railway from that source and from the development of the Northwest territories cannot fail to be large, and to much more than compensate your company for any loss arising from the opening of the Thunder Bay and North Superior routes. So far as we know, the entire railway traffic between the Canadian Northwest and the United States may be secured to the St. Paul, Minneapolis & Manitoba Rail-

way for a long period, while the Canadian Pacific Railway will strive to secure as much as possible of the business which naturally seeks its channel through Canadian territory.

"Without attempting to prejudge matters in discussion between the executive officers of the two companies, we venture to solicit your earnest coöperation in our efforts toward the preservation of the good understanding which our withdrawal from your board is intended to facilitate."

These gentlemen consented, later, to remain on the directory for a limited time, but the future policy of the two systems was declared. They remained for years friendly rivals, with a deep fund of common understanding and respect, which the competition that the completion of both lines brought to the surface could not destroy or seriously impair. In 1883 Mr. Hill revealed, in a letter to a Canadian friend, the strain of sentiment that was deep and strong in him, together with an attitude toward wealth, as a personal attribute, which was as genuine as it was little suspected by the general public. These are his words: "I have made up my mind to hold $1,000,000 of my Canadian Pacific stock, if it is only as one of the bonds that bind the old party together. I will sell $500,000. I think you know I am not anxious about the money part of it. I am sure I have all and more than all I will ever want, and all that will be good for those who come after me."

From this time the personal interests of the associates diverged. Only after the greatest difficulties were the Canadian promoters able to save their work from financial collapse. But at last, November 7, 1885, six years ahead of the stipulated date, the last spike in the Canadian Pacific Railroad was driven by Hon. Donald A. Smith, near Craigellachie, in British Columbia. Eight years more were to elapse before the St. Paul, Minneapolis & Manitoba, by that time become the Great Northern, was to reach its objective point on Puget Sound. But the first was a government enterprise, concentrating on a single through line, whose purpose was primarily political, and whose value in developing the intermediate country was to be realized only slowly through the next twenty-five years. The second built up the country as it grew, occupied strategically the whole region through which it passed and which it expected to serve, following its supreme purpose as a prime factor in the industrial development of the American Northwest. The Canadian Pacific in 1885 was still a mere charcoal sketch in outline. When the Great Northern Company was formed in 1890, the system, although many important details remained to be filled in, was in plan and theory a finished work. The two present a sharp contrast of methods and ideals. After 1883 Mr. Hill was free to finish his own work in his own way, without any "entangling alliances."

## CHAPTER SIXTEEN

### FOUR YEARS OF FATNESS

ONE must go back a little to take up the story where it was left at the end of the first year's existence of the St. Paul, Minneapolis & Manitoba. It requires now a larger canvas and a wider sweep of the brush. No longer is it a question of simple projects and acts, however broad their scope or daring their execution, but of all the complicated interests and possibilities of a continental field. The formation of the St. Paul, Minneapolis & Manitoba was but the birth of a child that had to be carried through the perils of infancy, taught to hold his own against rivals, and helped to conquer the magnificent kingdom that was, if he could win and keep it, to be his manhood's inheritance. So sharply now do the lines diverge, so quickly does the centre of action pass from one part of the continent to another, so diverse are the questions to be considered, and so rapidly does one event tread upon another's heels that the outlines of the picture for the next few years will be fluctuating and vague at times.

First, it is to be remembered that there was still no public conception of what this performance of Mr. Hill meant, or how it would react upon the future.

In fact, the mole-eyed public did not give to it any future at all. The official report of the Minnesota Railroad Commissioners in 1881, deploring the outside ownership of Minnesota's railroads, then regarded as partly a misfortune and partly a disgrace, said: "The Manitoba is the only remaining system distinctly our own. Directly Mr. Hill will be tired of overwork, and that line will pass into the jaws of the anaconda which is swallowing the smaller lines as fast as it can digest and assimilate them." These gentlemen were better informed than the general public. Yet they thought that Mr. Hill would presently weary and loose his hold. They did not know that at any time after the corporation had got on its feet it could have been sold by Mr. Hill and his friends at an immense profit. They had never glimpsed the dreams that lay behind the accomplished fact. They had no conception of the real situation at all. Their inability to comprehend is lightened only by the gleam of unconscious humour which represents Mr. Hill as "tired of overwork." Thirty years more of it at the same speed scarcely caused a slackening of the pace.

Meantime, the four boundaries of the Manitoba system, as it will hereafter be called for brevity, had to be looked after. On the north, the Canadian Pacific pact took sufficient care of the field. On the south were the Northern Pacific and the western extensions of the Chicago trunk lines, carrying trains in many

sections, loaded with immigrants, to the fertile lands of Dakota. These could be and were dealt with, by negotiations, since the opening up of the American Northwest created so much business for everybody that there was little occasion or appetite for fighting. But on the east some connection must be made for an outlet; and on the west an immense country must be occupied or preëmpted. Beyond all, the dim shore of the distant Pacific spread its constant lure. These two needs demanded immediate provision of new facilities.

The former was satisfied by the acquisition of a joint interest with other northwestern lines in the St. Paul & Duluth Railroad, and by the building of a connection to that line from St. Cloud, under an old charter that Mr. Hill had picked up for a song. The St. Paul & Duluth, which was the later name for the old Lake Superior & Mississippi, had been completed as early as 1870. It was the all-important railroad link between the head of navigation on the Mississippi and the head of navigation on the Great Lakes. The Northern Pacific had its own line westward from the extremity of Lake Superior. The Manitoba must cap this advantage. The Chicago railroad lines were deeply interested in the St. Paul & Duluth because, during the season of open water, it could make competitive through lake and rail rates to St. Paul. Therefore, they had quietly acquired mastery of it. Mr. Hill determined to secure admittance to a privilege so necessary to him,

and succeeded in making satisfactory arrangements. Here, as everywhere, the earning capacity and splendid credit of his system gave him an advantage. In these early days in the Northwest, the ability to put the cash on the table counted for much. Mr. Hill conducted these negotiations himself. Nothing of the first importance was now handled in any other way. In April, 1881, he was able to write to Mr. Kennedy in these terms: "I have arranged basis of agreement for joint control of St. Paul & Duluth Railroad with Porter and Merrill. They have not a majority of the stock. There are outstanding $4,700,000 of preferred and $4,000,000 of common. The preferred has three votes to each share and the common one vote to each share. In their joint pool they have 13,052 shares of preferred and 23,843 of common. . . . Our proportion will be $665,960. We have a preliminary contract being drawn, and a meeting is to be held about the first of May in New York, when the details may be agreed upon and the matter closed. The road earned during the last year something more than $4,500 per mile. They have about a million and a half acres of land still unsold, including a thousand millions of pine lumber and something near $300,000 due for stumpage from good parties."

This investment was as good as a bank deposit. The St. Paul & Duluth had and always would have a profitable business. The interest acquired could be sold out at any time on good terms to parties who were

always looking for means of entrance to the ports at the head of the lakes. Mr. Hill had not the remotest idea of being permanently dependent, or tied up in a deal with any one else for his eastern outlet. The ultimate plan for his head-of-the-lakes connection and terminals was already clear in his own mind. But something temporary must be provided at once; and this joint interest, besides proving to other railroad men and to the public the strength and sagacious management of the new concern, offered an immediate solution of an immediate problem. The shortest available route from the wheat fields served by the Manitoba to the head of the lakes would tap the line of the road at a point considerably north of St. Paul. To get authority to build this link, Mr. Hill purchased the charter of the Minneapolis & St. Cloud railroad, another paper affair that had been kicking about. It was worth having, and he certainly got it cheap. He wrote to Mr. Kennedy in March, 1881: "This Minneapolis & St. Cloud charter has all the peculiar traits of our charter regarding rates, etc., and has the right to build branches and to connect with any road in the state or consolidate with any road. Also a grant of ten sections of swamp lands per mile between St. Cloud and the St. Paul & Duluth (60 miles) and four sections per mile from there to the north shore of Lake Superior. I have just bought the charter and stock of the company, except the Mankato branch which was consolidated, price $30,000. I took it to

prevent its falling into other hands, and to secure the land grant of 600 sections for line from St. Cloud east, which we must build to give us a short outlet to Lake Superior as soon as we conclude the trade with Porter and Merrill for the St. Paul & Duluth." So these two deals together provided most satisfactorily for a through eastern connection, with a favourable rate, until such time as the Manitoba Company should build its own independent line into Duluth and Superior. The connecting link from St. Cloud to Hinckley, laid with steel rails, was in operation from December 4, 1882.

On the west, two things were to be looked after: the competition of the Northern Pacific, and the new construction by which alone that competition could be met and the plans of Mr. Hill carried toward their steady aim. The Northern Pacific was once more on its feet; and, to those who could not or did not analyze its new financiering, it seemed to possess a solidity and a promise hitherto unknown. Funds had been secured abroad, and the great Deutsche Bank, of Berlin, was interested. The new financial element had placed the system in charge of Henry Villard, a man of different type from his predecessors and one not yet familiar with American railroading. Mr. Villard was himself something of a dreamer, as well as a man of action. He was also among the first to see the possibilities of combination among the railroad systems of the United States. He had vision and he had daring. After reorganizing the

Oregon Railway & Navigation Company, in 1879, he sprang into the limelight through his famous "blind pool" of 1881, and was elected president of the Northern Pacific in that year. The fluctuations that marked his brilliant career indicated a possible indifference to the less conspicuous but no less necessary qualities of conservative administration and circumstantial knowledge of how to operate at a profit Big outlines inspired him; before details he was embarrassed, cold, sometimes impatient. But he was a man of native force, he had financial power behind him and, for a time, he appealed to the American imagination as powerfully as Jay Cooke had done. He found $34,000,000 of proceeds of bond sales in the railroad's treasury, and proceeded to spend it royally. Using money and credit somewhat as Harriman did to build up the Union Pacific, though on a smaller scale, he pressed events forward at a lively gait. The through line of the Northern Pacific was completed by 1883, by the driving of the last spike in western Montana. Here was real trans-continental operation, while as yet the Manitoba was but part way across the country.

Mr. Villard challenged public attention by the consolidation, in 1882, of the Northern Pacific interests and those known under the name of the Oregon Railway & Navigation Company. By this he secured control of what was then the most powerful concern in the Pacific Northwest, eliminated river competition on the Columbia, whose steamships were included in the deal,

and obtained a right of way and an entrance for his system into Portland, then the only city of importance on the North Pacific Coast. The story of transportation development in this section will be told in a subsequent chapter. Seattle was still only an isolated and struggling village; Tacoma did not exist until the Northern Pacific created it for terminal purposes; while Portland was an old city of large wealth, established business and commercial relations with many parts of the world. The Northern Pacific, including this adjunct, was something to be feared. But it had no terrors for Mr. Hill. He knew its financial condition, notwithstanding the recent reorganization and apparent plethora of cash. Better yet, he knew its operating conditions. He was in no hurry or fret, because he knew that every day reduced the power of the Northern Pacific to carry its own burdens, and hence minimized the danger of it as a competitor.

He had not long to wait. Three months after the celebration connected with the completion of the Northern Pacific, which filled the newspapers of Europe and America with accounts of the elaborate display on that occasion, the Oregon Railroad & Navigation Company and the Oregon & Transcontinental disappeared together in the gulf of bankruptcy. Mr. Hill knew all the time what his own line could do when he had finished it to the coast. At this time, when he was still apparently a novice in the business, he would take a piece of paper, show ex-

actly what it cost to haul a loaded car over the grades of the Northern Pacific, what it would cost over his line with the grades and curves that he had fixed as the maximum, add up the fixed charges and the cost of operation per mile of the two systems, and ask his listener with a grim smile what he thought was likely to happen when the fur should begin to fly. Here, as in his arrangements for buying the St. Paul & Pacific, there was no gambling element so far as he was concerned. He had reduced the situation to its simple mathematical elements, and the future held the certainty of a demonstration. Of course the rapid growth of the country helped him. But he foresaw that also, exactly as he figured a tangent to one of the curves on his line. Prescience and calculation, combined and carried to a high point of perfection, will enable a man to do many things which, to the onlooker, appear sheer wizardry. They were the two unfailing supports of Mr. Hill in the royal struggle in which he was now engaged.

Mr. Hill let Mr. Villard have his fill of glory; did not sulk or protest when he became the talk of two continents; took care not to offend his *amour propre*, and thus succeeded very well in maintaining a working understanding by which the Manitoba company was permitted to go its way in peace toward ends and by methods that were clearer and surer in his thought than they were yet in the minds of the bankers of New York, Paris, and Berlin. An event whose place is here, al-

though it happened years later, is not without interest. Mr. Villard thought he could make a coup by buying the Manitoba. By that time, which was after his fortunes had been reëstablished, the Manitoba had reached Helena, and announcement had been made that capital was provided to build the extension to Spokane Falls and Puget Sound. Mr. Hill had formed an alliance with Charles Francis Adams, then president of the Union Pacific, that gave him trackage rights from Spokane to the coast. Practically his road was already a transcontinental line. Mr. Villard, who had regained much of his old prestige, saw visions of another blind pool, and had Mr Hill sounded on a possible purchase of his stock. The latter, resenting the implication of such a possibility and even such an inquiry, gave a non-committal reply. Some third parties deceived Mr. Villard and summoned him without authority to a decisive interview, where nobody else put in an appearance. Mr. Hill would no more have thought of selling his railroad interest than of mortgaging his home.

Advisedly one can speak of it as "his company." For he represented it in name as well as in fact. In November, 1881, he had been elected vice president; and August 21, 1882, he was elevated to the presidency, which he was destined to occupy for a quarter of a century. His had always been the guiding mind, and his was now the directing hand. His plan was not

that of Napoleon in his mad rush upon Moscow, but that of Japan in her occupation of Korea and Manchuria. Whenever his cohorts advanced their outposts one stage, they left behind them a country so perfectly occupied that there could be no room for a newcomer; and so thoroughly organized that the railroad's business would take care of itself. If its policies should remain those that governed the work so wisely done in the first place, it could meet any competitor on his own ground.

That this was no happy chance or accidental outcome of a cautious temperament, but something deliberately reasoned, appears from a letter written by Mr. Hill to Mr. Kennedy in 1883, in which he said: "I think the time is at hand when railway property generally will be tested to its capacity to pay net earnings, and we have some neighbours who will surely have difficulty in making both ends meet. I think the Northern Pacific will have its greatest trial when its line is built through and its finances are no longer sustained by sales of bonds, but all payments must be made from earnings; then I think they will need help much more than at present, and should any misfortune overtake them, the Canadian Pacific will undoubtedly suffer indirectly. It is at such a time we want to have our house in order and I think you will find it well advanced in that direction." Those who have been wont to regard Mr. Hill as to some extent the child of happy fortune, who

have heard much talk of "Jim Hill's luck," are invited to compare the date of this letter with the events of the next dozen years and determine for themselves just what it was that made his successes so notable and apparently so certain. Only one year later, in fact, Mr. J. A. Wheelock, editor of the St. Paul *Pioneer Press*, one of the great journalists of the earlier era in this country and an intimate and devoted friend of Mr. Hill as long as he lived, wrote to him from Italy where he was spending the winter: "I think you just realize that after all you are in much better, stronger, and more potent position at the head of one of the most powerful and flourishing railroad properties in the West, with a great and secure future before it, than if you were figuring among the rival magnates of the speculative enterprises who are struggling to cut each other's throats in Wall Street."

In 1882 a new system of agreements had been reached with the Northern Pacific and officially ratified, which left little room for future trouble. Mr. Hill could go his own way without much need for even a wary glance now and then at the line south of him, that must still labour through weary years under the burdens laid upon it by many managements less able, less foresighted, less businesslike, and more given to costly pyrotechnics than his own. Extension work proceeded without a hitch in those years of lusty growth, 1881 and 1882. The Board of Directors fixed the route for a line from

Wahpeton to the Missouri River, a distance of 200 miles. By construction and purchase, 211 miles had been acquired. Financial conditions were very satisfactory, so that a readjustment of the company's obligations, which was carried through the following year, could be planned with confidence. The following letter to Mr. Kennedy in April, 1881, justified the perfect confidence of Mr. Hill in the future by explaining the impregnable solidity of the company's affairs; "Since the present company took charge of the property the land sales for cash and on time average more than $100,000 per month, at which rate there would be very few outstanding mortgage bonds at the end of five years from the present time. The average price of lands sold is about five dollars per acre, and the company has now unsold about 2,500,000 acres, or enough lands to pay off the entire first mortgage and leave from $4,000,000 to $5,000,000 surplus."

Once more, at what might seem to have been a breathing place, the student of Mr. Hill's activity is struck with the amount of daily work he carried. It was not only physical, but psychological. All through these critical years, it is true, his letters show immersion in the business of operation, construction, financing, competition, coal supply, farmers' interests, and a dozen other things. But quite as noticeable, perhaps even more potent in many ways, is his constant effort to encourage his associates and subordinates; to inculcate

tenacity of purpose; to hold up weak hands; to breathe into others something of the tonic force that seemed to emanate from him like one of the life-giving blasts from the Northland that was his home. The man who can inspire others with some of his own courage, confidence, and determination is the born leader. The innumerable letters of Mr. Hill during these years were sprinkled with such expressions as this: "Be of good cheer"; "Whatever you do, do not be discouraged or get despondent." He set a dozen men on their feet every day, and held them there until they were steady.

Even one who had known him so long and so well as Mr. Stephen was concerned about this incessant drain upon body and mind, upon the will as well as upon intellectual and muscular forces. He wrote to him in 1882 an affectionate protest, closing with this admonition: "Though you are yourself only a little softer than steel, you, too, will break down." To which Mr. Hill, who continued all his life to receive and disregard such warnings, replied: "I cannot close without thanking you for the kind personal interest you express. Our work is increasing with the ratio of the development of the railway, and it seems necessary for us to be always on the alert to any movement that will fortify our position or increase our revenue, and the familiarity with the situation which is necessary cannot be gotten except by personal acquaintance. We were

very opportune in getting possession of the Red River Valley before other lines got a foothold. It is from there and Manitoba we draw our earnings. I would certainly rejoice if I could have more time to rest and be with our children, who are getting to an age when I might be of use to them, but our property is nearly all new, and unlike old roads, whose staff has been doing the same things at the same places for years. A failure to take in the whole situation owing to lack of knowledge or judgment, and under plea of temporary convenience or some other cause—matters are given a wrong direction and in the hurry of increasing business a precedent is established which is hard to change, or it is entirely overlooked and a permanent injury is the result. Every day's observation convinces me that in a new country a railroad is successful in the proportion its affairs are vigilantly looked after. There is no substitute for hard work, and the value of a railway is its capacity to earn money."

In 1883 was begun what might be considered the permanent financing of the road. Thus far that had needed little study. From the beginning it had taken care of the interest on its bonds, and its new lines were self-supporting. In the fall of 1881 the directors saw their way to declare a dividend of 7 per cent. on the capital stock, half payable in February and half in August of the following year. Such was the record of this system but two years after organiza-

tion, while expenses of every sort were multiplying. The capital stock was increased, June 8, 1882, from $15,000,000 to $20,000,000, the limit permitted by the charter. In that year the company also guaranteed $3,000,000 of bonds of the Minneapolis Union Railway Company, part to furnish new connections in that city and part to construct a depot and build a stone arch bridge across the Mississippi River there. It is a curious thing that this bridge did more to advertise Mr. Hill's genius to the public of the Northwest than his great achievements of which the people as a whole still understood little. Minneapolis was as yet a small city, but it was growing wonderfully. The railroads east and west all had to cross the river there or in the vicinity, and went over on the creaking wooden bridges so familiar to the Western pioneer. Mr. Hill looked ahead to the future of traffic, picked out the best place for a union station, and saw that the line of access most central and most convenient of operation, both for himself and for the city, required a bridge crossing at an angle just above the Falls of St. Anthony. This he constructed, at a cost which seemed reckless at the time, of solid stone, following a curve that still catches the eye of one accustomed to the straight lines of ordinary masonry construction.

In responding to the addresses made at a banquet in Minneapolis in 1905, Mr. Hill said: "The hardest thing I ever had to do in my life, or the hardest undertaking

I ever had to face, was the building of the stone arch bridge." This, from a man who was little wont to dwell upon difficulties of his own, is the best measure of the enterprise. The bridge itself is a splendid structure of solid stonework, 2,100 feet long, 28 feet wide, and 82 feet high. Three of its arches are of 40 foot span, sixteen of 80 foot, and four of 100 foot. It must be remembered that stone bridges were not the rule in those days, and that in this section they were unheard of. The combination of such construction with the curve which the line to be followed required was unusual. The foundations ran up against engineering difficulties, and flaws in the supporting rock threatened ruin again and again. In fact, this was one more of those undertakings which were often spoken of as "Hill's follies." The original purchase of the St. Paul & Pacific was one, this bridge another, the extension to the Pacific Coast another, the Cascade Tunnel another. As the arches of his bridge passed the treacherous Mississippi, so are the essential parts of his career linked to one another by these "follies" that became so many stepping stones to greatness. The mere financing of such an undertaking, in the new Northwest, by a company only three years old and having to finance itself, was a triumph of management. All these obstacles, accumulated before a young man who had barely won his spurs in the railroad field, were enough to explain his statement of more than twenty years later. The

stone arch bridge was finished in 1883; and Mr. Hill's sense of what it meant to him and to his system may be judged by the fact that a plate upon it carries his name. It is the only structure, so far as known, thought by him worthy of this distinction.

Expenses of all sorts were to be faced, of which this is but one inconsiderable item. Short lines, valuable as feeders and as skirmish lines thrown out to occupy territory, were built or bought by the parent company. The purchase of an interest in the St. Paul & Duluth had to be financed. Regular trains were running as far as Devil's Lake by the summer of 1883. A year before that the track had been run north from Grafton to the Canadian boundary line, this time on the west side of the Red River, giving a second line to Winnipeg. More building and more borrowing were to be the rule for a long time to come. But the credit of the company had become established, the old bonds could be got out of the way, and funds obtained at lower rates of interest. The time had obviously come for a financial reorganization on broad and permanent lines. The business of the company justified it and encouraged a financial plan that should provide for the future on a generous scale. Remarkable as had been the performance of the system as a going concern from the first day, it had now gathered momentum and was beginning to show what might be expected of it. The following is from the report of the president for 1883:

"The business of the company during July, August, and September, 1882, showed an increase of 100 per cent. over the same months of the year previous, while the business of the entire year just closed showed a gain of 38 per cent. over the previous year. The enormous gain for the first three months was largely due to the transportation of rails, track material, timber, etc., for the Canadian Pacific Railway, the construction of which was being rapidly pushed, and a large amount of material was accumulated by that company for this year's work. The opening of the 'Thunder Bay branch' of the Canadian Pacific Railway has taken a considerable amount of the freight traffic going to Manitoba via Lake Superior, which has hitherto gone via Duluth and our lines. Notwithstanding the large amount of railway material carried last season, and the opening of the Thunder Bay branch of the Canadian Pacific Railway, our earnings from the first of January, 1883, to the first of August, 1883, show an increase of $40,980 over the corresponding months of last year. Attention is called to this particularly to show that the general business of the company is in a growing condition. Our local business shows a steady and satisfactory increase, and the rapid settlement of the country tributary to our lines may be relied upon to maintain the earnings of the company."

Mr. Hill had said, just before this, in a letter to a friend: "As a rule I think the most trying time for a

new railway is after track is laid and it has to rely solely on its traffic revenue for the means to meet its expenses, etc." The St. Paul, Minneapolis & Manitoba had met this condition. Not only that, but it could compare comfortably the various totals to be made up from its report with those of some of the oldest and most carefully managed systems in the same part of the country. The figures for the Manitoba, after four years of existence, compared with those for three systems centering in Chicago,* having northwestern connections and enjoying all the advantage of years of experience, are a vindication of the scientific method, applied to railroading by Mr. Hill.

Through these years, again, there is continuous evidence of an oversight almost preternaturally specific and acute. It is difficult enough to understand how time was found for the big things; but when one reads volumes of letters and reports dealing with the lines almost microscopically, the wonder grows. In these old letters and diaries nothing escapes notice. There are "coal stains in the depot at Grand Forks." Here is a list of a few of the things that Mr. Hill stored in his memory as he was rushing up and down the line, and set down in memoranda for his own future guidance, or to be taken up with the proper parties at the proper time: location of gravel pits, side tracks, water tanks, lay of the country with reference to the line, condition

*See Appendix, VIII.

of crops, rough places in the track, condition of track joints, where cars were standing unloaded and idle, wasted effort by hauling in gravel when the same material might have been obtained from the side of the track, ditches. A note says that everything lying around but not needed for operation must be picked up and put away; odd lengths of iron that cannot be matched and made useful should be gathered up and sent to market; "platform east end of depot wants one eighteen-foot plank for repairs." In the same paragraph and line are a memorandum of an important bond election about to take place and a remark that the engineer has dumped his fire on the ties and burned them out in two or three places. "Memo. One car repairer here, this man smells of whiskey." Spikes, frogs, and box lids lying about are listed for collection. Here is a report that a certain engineer has been kept on his engine too long without sleep, which ought not to happen; and there the entry, not from a section man, remember, but from the real boss of the concern, that "flat 1269 has two broken truss rods and should be repaired." And scattered through all these pages are rough drawings of station buildings, roundhouses, yards, tracks, switches, that indicate an almost photographic imprint in the mind of the man who made them of every accessory of the whole system. Mankind is still in doubt whether the greatest wonder is due in nature to the infinitely great or the infinitely

minute. In scanning the activities of Mr. Hill, especially through these typical years, one is no less lost in admiration over the genius for the little things than over the genius for the great. He showed in both "infinite capacity for taking pains."

## CHAPTER SEVENTEEN

### FINANCES AND FARMERS

HERETOFORE money had been raised by the issue of securities or taken out of earnings, as and when it seemed best. A coherent financial policy was necessary to a railway company with business and prospects such as this could show. Therefore a consolidated bond was issued; and this policy and the circumstances under which it was put into effect must be dealt with at greater length and with more emphasis because they were used, many years later, by the critics of Mr. Hill as the basis of accusations against his financial methods, and of a charge that the control which he and his friends enjoyed had been used to further improperly their personal fortunes. Inasmuch as the career of Mr. Hill is absolutely free from weaknesses of this sort; since he had a sensitive personal pride and a profound scorn of interested motives; and since his railroad system is almost unique in this country by its long freedom from servitude to individual greed, the charges that have been made and the facts in the case require especially careful scrutiny. Baldly stated, the enemies of Mr. Hill said that he and his friends divided $9,000,000 which they took out of the property by issuing

$10,000,000 of bonds which the inside ring of stockholders were permitted to acquire at ten cents on the dollar, when they were actually worth their full face value in the market. This incident in the life of Mr. Hill, which stands alone in having been connected by hostile critics with the implication of a breach of trust, should be examined with care. Fortunately the facts are on record, and they are conclusive.

The time had come to create a form of security which should take the place of the different obligations outstanding, and furnish a precedent and a model for future credit issues. In 1883 the Board of Directors of the Manitoba formally authorized an issue of $50,000,000 6 per cent. consolidated bonds. These were secured by mortgage on all the company's lines, built or thereafter to be constructed in Minnesota and Dakota. Of this total, $19,426,000 were reserved to retire prior bonds, $10,574,000 were to be issued immediately, and the remaining $20,000,000 were to be issued only against future construction, and then at a rate not to exceed $15,000 per mile, although the cost per mile often rose as high as $25,000, exclusive of the large sums paid out for terminal facilities. The use of the nineteen million odd dollars of securities to replace the old bonds issued at the organization of the company in 1879 and in 1880 is a mere refunding operation. The issue of ten millions which the stockholders were permitted to buy in at ten cents on the dollar has

been attacked. Let the facts speak for the truth, whatever it may be. The first of them is the official record of the road, as shown by the minutes of shareholders' and directors' meetings. Here is the official entry under date of April 12, 1883, immediately following the authorization of the total issue of consolidated bonds:

"Whereas, The company has recently acquired large and valuable properties and lines of railway which are not covered by its existing mortgages, and has made extensive improvements and additions to its other properties,

Therefore be it resolved, That for the purpose in effect of reimbursing to and dividing among the stockholders the cost and value thereof to the extent of nine millions of dollars, and of readjusting the securities of the company, the stockholders of record on the books of the company at the close of business on the 20th day of April, 1883, shall have the privilege of acquiring from the company bonds of the contemplated issue of May 1, 1883, to the amount of 50 per cent. of the stock then held by them respectively at the price of 10 per cent. of the par value thereof; said bonds to be represented by scrip deliverable on the first day of May next, on the payment therefor at the price aforesaid, and such scrip to be exchangeable for said bonds at the office of the company in New York on and after the first day of July next, upon its presentation in amounts of $1,000 or any multiple thereof."

Here is the main fact, clearly stated. During the years of very rapid growth and of necessary participation in many allied interests, the money of the stockholders, which might and ordinarily would have been distributed among them in the form of dividends, had been withheld and used for company purposes, to the amount of not less than $11,000,000. An analysis of disbursements and the extraordinary reasons for them supports this statement. It was a forced loan to the company by its stockholders. Now was a convenient and proper time to repay it. Not all of it was given back. But $9,000,000 was transferred from the treasury of the company to the pockets where it really belonged, by the issue of $10,000,000 of bonds to which the stockholders were privileged to subscribe on the basis of a cash payment at 10 per cent. of their face value. At this time the number of stockholders was still small, and there had been few changes in their personnel. The only extraordinary thing about the transaction, in the opinion of that day, was the fact that this distribution of profits had been delayed until 1883. The policy of almost any other railroad company then in existence would have been to issue new stock or bonds annually as emergencies arose, and at the same time either increase the dividend rate or make successive issues of stock, as bonus to the holders, in amounts sufficient to absorb all the cash surplus as fast as it accumulated. The art of trimming treasuries was well advanced at this date.

The very policy which was afterward brought forward as a reproach to Mr. Hill marks the advance that he had made upon the financiering of the day. The dividends of the company had been raised only to 2 per cent. quarterly. This was preposterously small in comparison with the rates of profit common at the time, and with the earnings of the company. The following table, tracing the growth of the St. Paul, Minneapolis & Manitoba system to this date, shows the growth of trackage and resources, the basis of all credits:

| | 1878 | 1880 | 1881 | 1882 | 1883 | 1884 |
|---|---|---|---|---|---|---|
| Mileage | 407 | 656 | 702 | 926 | 1,203 | 1,378 |
| Net Earnings | $473,977 | $1,584,817 | $1,906,756 | $3,308,917 | $4,689,779 | $4,449,251 |
| Capital Stock | | 15,000,000 | 15,000,000 | 15,000,000 | 20,000,000 | 20,000,000 |
| Bonded Debt | | 16,324,000 | 18,107,700 | 18,646,000 | 20,791,720 | 31,368,000 |

It will be seen that in the period between 1880 and 1883 the mileage of the system was nearly doubled by construction and purchase. In addition, all the old lines were practically rebuilt by the substitution of steel rails for iron. Equipment was quadrupled. And there were immense subsidiary enterprises, like the interest in the St. Anthony Falls Water Power Company, the building of the stone arch bridge and union depot, the interest purchased in the St. Paul & Duluth, the building of the new slips at a cost of half a million dollars, and a dozen other things for which the cash and credit of the company had been used. This was cash belonging to the stockholders. A surplus of $5,671,976 had been accumulated, in pursuance of

Mr. Hill's consistent policy never to be without this anchor against any possible mischance. In those three years only a little more than $4,000,000 had been added to the bonded debt, and $5,000,000 to capital stock. The sums put into the property were more than double the total of the two. Instead of borrowing this difference from outsiders, the management borrowed it, without interest, from insiders—that is, from the treasury of the company—and put it back into the road. That is the whole transaction. It was not usual; but it was morally unassailable, just as it was an economical policy for the railroad company. The gist of it was stated by Mr. Hill himself, once for all, in the letter summing up the story of his connection with the railroad which he addressed to the stockholders on retiring from the chairmanship of the Board of Directors in 1912:

"During 1878, before the road was organized, 112 miles of track were built, and more than that the year following. A large amount of equipment was bought. To cover this outlay a part of the proceeds of the second mortgage issue of $8,000,000 was used. There was originally a limit of bond issues to $12,000 per mile of single-track road; which was found to be insufficient even for work mostly on prairie. In 1880 the Dakota Extension mortgage was authorized, of which $5,676,000 of 6 per cent. bonds were issued from time to time, and this total of less than $22,000,000 covered the whole

bonded indebtedness of the company down to 1883. But it by no means covered the actual expenditures for which bonds might legitimately be issued.

"The period from 1879 to 1883, when the railroad was still an experiment in the minds of most eastern capitalists, was not a time to enlarge the volume of securities or ask outside capital to bid for them. All that this could have secured would have been some sales at much below par, and an impaired credit. Yet money must be had to keep going the extension which was creating a new Northwest; and, through that, a profitable and assured future for the company. So another method was adopted. The company diverted to these uses the money which might have been divided as profits among the stockholders. At one time 210 miles of road were built and $1,700,000 were spent on equipment without a bond issue. The company became its own banker while waiting for a favourable market to be created. The stockholders temporarily renounced their profits in order to leave their money in the enterprise. But it remained their money, and their title to it was indisputable. It was costing now very much more than $12,000 a mile to build a substantial track. In all, about $11,000,000 of profits were put into new construction and betterments. The stockholder of that day expected these profits to be distributed. His right to them was sanctioned by public opinion as well as by custom and law. It was recognized in 1883."

Nor is this an afterthought, or a case made out in answer to an indictment at a later day. On the contrary, Mr. Hill's statement in 1912 is exactly what he had said thirty years earlier, except that the claims of the stockholders were then estimated at an even higher figure than they were later. The following, which he never expected to reach any eye but that of the person to whom it was addressed, is from a personal letter of Mr. Hill dated July 26, 1883:

"When it was concluded to issue a consolidated bond, which would eventually absorb the existing bonds and leave but one security on the property, it was found the company owned the entire stock to four other railways with 210 miles of road equipped and in operation, also stock in other companies and other very valuable property amounting to more than $13,000,000 which was not represented in the bonded debt of the company, and which had been acquired with money that would otherwise be available for division between the stockholders. The Directors decided to consolidate these lines with this company and to reimburse the stockholders pro rata to the extent of $9,000,000 of the $13,000,000, by allowing them to buy the consolidated bonds to the extent of $10,000,000 by paying the additional $1,000,000 pro rata according to the shares held by each. This made the total bonded debt of the road a little less than $22,680 per mile, secured by 2,500,000 acres of land which is selling at an average of about $6 per acre,

about $1,000,000 of land contracts bearing 7 per cent., and the entire property, terminals, and equipment of 1,325 miles of railway, and securities and stocks of other companies, the market value of which is more than $2,000,000."

None but the ignorant or the malicious have ever attempted to make this incident throw discredit upon a man whose sense of financial honour was peculiarly delicate and fine; and who never saw a time during the years of his railroad management when he would not have given up every dollar of his personal fortune rather than permit the property under his care to repudiate an obligation. The judgment of the time is reflected conclusively in the market records. After a great coup, out of which millions have been made privately and unjustifiably by individuals in a position to take advantage of a trust, the reaction in prices is certain and severe. One has but to look back upon questionable dealings in any one of half a dozen big railroad systems at different times in their history, and consult subsequent stock quotations, to understand that personal abuse of trust by the head of a railroad destroys public confidence, and stock values along with it. This bond issue, materialized on the first day of July, 1883. In October, 1880, the Manitoba stock was quoted at 67. In August, 1882, it stood at 146. As the news of the scrip dividend was circulated, the price rose to 167. The actual issue of this

dividend caused a decline of but twenty-two points in the stock. After the new bonds were delivered, and it was known that there were no other deferred profits, and that the value of the stock rested solely on the earning power of the system and the ability and honesty of the management, the lowest price reached was 123. The judgment recorded by the public in these quotations is that full values were behind the securities, that future earnings were sure, and that the control of the property was in strong and clean hands. It was justified by the event. The history of this bond issue, instead of casting even a shade on the integrity of Mr. Hill's management or the sources of his personal fortune, shows his singularly keen judgment in adopting a method of financing so advantageous to the company's interest, and the extraordinary but admirable confidence with which his stockholders consented, with him, to forego for years the immediate use of their private profits, for the future good of the enterprise in which they had enlisted together.

It is time to glance at some of the other interests that crowded this busy life. It goes without saying that the future extensions of the railroad system were as carefully thought out at this time as was its present operation. There are many volumes of detailed correspondence with engineers in the field, in which proposed locations of lines yet to be built are considered, corrected, changed, with the utmost fidelity to what

topographical conditions required. Mr. Hill knew the country about as well as the men outside, and one prevailing principle governed throughout his placing of lines and his instructions to subordinates. In no case was money to be saved by choosing a route less difficult, from the engineering point of view, if this would entail greater cost in operation. The cost of one method is paid for at first, once for all. The second is a continual annual charge on operation. To minimize the latter was the keynote of Mr. Hill's policy as a railroad man. He wrote, a little later, to Mr. Stephen: "We are now reducing our grades so that we can haul 700 to 800 tons with one locomotive. . . Of course, this all costs money and plenty of it; but I think it the very best way to protect the property." And this limit of achievement was raised again and again and again, unceasingly, as the years went by.

These days saw also the beginning of the satisfaction of that artistic taste which had been for so long denied. He was endowed with it by nature. It will be remembered that one of the stories of his earliest days in St. Paul tells how he used to dabble with paints. He loved pictures, studied them, understood them. One of his uses of personal wealth was to begin that collection of masterpieces of great artists whose acquisition gave him a delight as keen as did his material success. Born with the artist's eye and the artist's discrimination, no long apprenticeship was

needed for him to become a connoisseur. He was always in the market for something really good. His leaning was toward the modern French school, and Corot and Millet appealed to him from the first. He bought slowly, but with knowledge and keen and just appraisement. His gallery of specimens of the Barbizon school was said to be superior to any in Europe or the United States. Although the ardour of his pursuit lessened with the passage of years, the boundaries of his artistic information enlarged, and his taste and judgment became more accurate and exacting. To the end of his life no dealer who had anything choice found him uninterested. He might not buy; he certainly would not unless the picture had something special and significant to recommend it; but he would always examine, criticise, enjoy. His gallery in St. Paul became more complete. In his New York house he garnered other treasures. He made gifts of valuable paintings to galleries and art institutes. He cared for nothing but the best. The very considerable fortune represented by the value of his relatively small collections is one evidence of his critical acumen. The softening of the æsthetic mood was upon him one evening when, in his gallery, he said to a friend: "Ah, it was a great pleasure to get those pictures together, one of the greatest of my life. But it's all over now." What he meant was that the first ardour of developing taste and the fine flavour of the hunt had gone with ripening

powers, possession, and the passage of the years. But always he remained a keen and interested critic, an apt judge, and a discriminating collector. This was an interest that only relatively declined, and did not pall.

Another interest, away at the opposite end of the scale, which found its first practical expression at about this time, struck its roots deep into all his after life and work. His proposition that the tilling of the soil is the basis of every human achievement, the cornerstone of governments as well as the foundation of all wealth, goes back to the beginning of his conscious thought as applied to human action. The primacy of agriculture had for him the force of a first principle. It coloured everything he saw and inspired a great part of what he did. It will be remembered that he was first convinced of the feasibility of building up a great railroad system in the Northwest because he saw how rank the grass grew where the gophers and the wheels of the Red River carts had loosened and upturned the soil. He knew always that a railroad must depend on the farmers along its line. It was not enough, as other managers thought it was, to coax immigration into the country since, once there, the settler could not get away. Just as he saw cost of operation beyond cost of construction, Mr. Hill saw the continuing annual contribution of this settler to the freight traffic of his railroad as something infinitely more important than the business of the first few years. It was an axiom with him

that the carrier would grow rich or poor in company with the farmers who cultivated the fields along its tracks; that nothing could separate their interests and their destinies. About this time something happened to bring the matter home.

In 1883 there was a dry spring, and the farmers got only a partial crop of wheat. In the southern part of the state the grasshopper invasions should have given them a lesson some years before. But everywhere along the new railways the immigrants followed one unvarying policy. It was almost a religion with them. They took up virgin soil, broke it, planted it to wheat, and continued to raise that one crop year after year until the yield became so poor that they had to move away. Meantime, a single bad season for wheat reduced them to misery and actual want. Fortunately the Red River Valley was too rich to be exhausted or to know crop failure, and many other soils in the Northwest could stand the drain for a good many years. But the end was sure. In unfavourable crop years there would be little or nothing to carry out of the country, and the farmers would not be in a position to buy anything to carry in. Every year the output of each cultivated field was bound to become less on the average. Mr. Hill knew the history of agriculture, back to Varro, and back of him to Old China. He saw that agriculture in the Northwest must be diversified. At that time people believed that fruit could not be raised there in

paying quantity and quality; thought corn raising dangerous in latitudes where splendid crops are now gathered. But there was one thing which experience in many northern climes had shown could be done in Minnesota. This was the raising of live stock. It would provide a new source of revenue, be a resource against grain failure, help maintain soil fertility, build up the dairy interest for which Minnesota is so especially fitted, and eventually enrich the farming interest by untold millions.

Of course, there were already cattle on the farms; but they were such as the average settler picks up as cheaply as possible in the neighbourhood where he takes up a claim; scrubs, poor milkers, barely worth the trouble of feed and care. For beef purposes they were just as inferior. The farmers had not the knowledge or the money needed to help themselves. So Mr. Hill determined to come to their aid. It was a conspicuous instance of that enlightened self interest which was mixed in him with pure business instinct and pure natural generosity. He believed that, by introducing the best strains of cattle generally throughout the Northwest, and breeding from them year after year, this section would, in a short time, have none but high-grade cattle; that the milk and butter product would add vastly to general prosperity; that better beef and more of it would swell the farmers' receipts; that the interest awakened would serve to extend cattle raising

as an independent occupation; that, as a consequence, agriculture itself would take on a new and more thriving complexion; and that, above all, exclusive grain growing, exclusive wheat growing among grains, and the whole one-crop system would die a natural death. It was not his fault that his plan took a generation, instead of a few years, to work itself out. That was because it had to become concrete through the labours of immigrants gathered for the most part from the peasantry of European countries where conservatism in methods is a cult, and the idea that there could be any improvement in the accepted system of farming could not penetrate. Worse, even, it had to make way against the glittering promise of those first few years on the farm, when the new ground produced more money in wheat than the cultivator had ever dreamed of possessing.

Mr. Hill said, later, in referring to this scheme: "I thought then that if I was spared, I would undertake to help the farmers to do something besides cultivating a single crop. They were carrying all their eggs in one basket." He was personally interested already in good horses, cattle, sheep, hogs, birds, everything that is useful to man on the earth and has a strain that can be improved. To gratify this taste and to experiment with breeds he established his first stock farm at Crystal Bay, Lake Minnetonka. In 1881 and 1882 he was busy acquiring the land and putting up the necessary buildings. That the place of cattle raising in the

general scheme of agriculture was already in his mind is shown by his experiments there in the breeding and raising of shorthorns. Then the plan broadened and grew definite. He bought a big farm on the outskirts of St. Paul where he experimented scientifically with all sorts of creatures, and kept exact records of accomplishment. Here is his own story about it: "I thought then that the man who played the fiddle on one string didn't make much music, and I thought that I would help them get another string to their bow. It sort of took possession of me and I thought: Well, I will buy a farm out here (and I bought North Oaks) and I will get the best cattle in the world and I will raise a lot of them and I will distribute them. That seemed slow. Now, if you are going to do anything, you might as well do it with a broad and strong hand, so I brought out within three years from the best herds I could find in Great Britain about 800 thoroughbred bulls, Shorthorn and Polled Angus, and scattered them, gave them to the farmers. I distributed up to this time somewhere between 6,000 and 7,000 cattle and hogs. I was trying to put the people of Minnesota ten or twenty or twenty-five years ahead of their neighbours in Iowa who got tired or didn't find it was profitable to raise Amber Iowa because they exhausted the fertility of the soil."

He made an examination of the finest herds of cattle in Great Britain. Thirty-five of them were visited. Strains were looked into with a view to both dairy

and beef purposes, but above all as to their probable acclimatization. It would not do to bring in any delicate breeds to brave the rigours of Minnesota winters. So Mr. Hill's first favours went to the hardy Scotch varieties, especially the Polled Angus. The first lot of cattle came from Europe in 1882. He paid as high as $5,000 for a single bull. That was for an object lesson. But he intended to take the farmers with him. He wrote to one of them—for he was as impetuous here as elsewhere when he once became absorbed in a topic, and campaigned vigorously—his proposed plan in 1883:

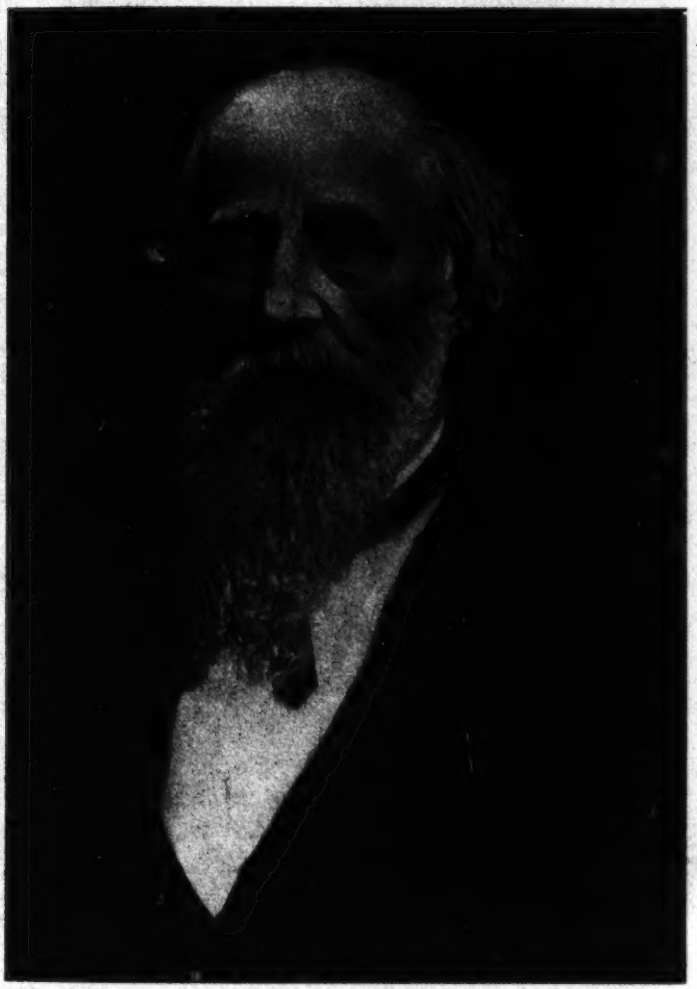
"For some years I have felt that our farmers depended too much on the cultivation of grain, which in a short time must impoverish their land. I think it is a safe estimate to say that every year there is destroyed in our state by fire, or otherwise not used, an amount of grass and fodder that would produce beef and dairy yield equal in value to the entire wheat crop of the state. What we want is a stock of cattle good for both dairy and beef; and to induce our farmers to take a more active interest in the matter I propose to offer a certain number of young bulls and rams annually as premiums for best progress made in cattle raising." He did much more than this. In 1885 and 1886, blooded bulls bought abroad were placed in each of thirty selected counties in Minnesota and Dakota; five to a county on the average. These animals were sent to responsible farmers, who were to look after them, permit

all other farmers in the county to breed their cows to them without charge, and at the end of a term of years become the owners of the animals thus left with them. Summing up and explaining this work later on, he said: "I distributed in different counties about 550 Shorthorn bulls and about 350 Polled Angus. It cost me, for cattle and hogs that I gave away, somewhere in the neighbourhood of $150,000. It wasn't a railroad matter. It was my own effort to help them."

The reasoning of Mr. Hill was simple and cogent. The farmer who could get a fine calf from a mediocre cow, without any cost to himself, and thus possess himself of a more valuable animal, would do so and continue to do so. Keep the process going a few years, let it spread with the volume and violence of a geometrical progression, and the stock average of the whole Northwest would be raised by many points and by millions of dollars. In the very process the farmer would become educated, and would go on endeavouring to increase still further his herds and to improve strains on his own initiative. The argument is without a flaw. All it seemed to require was the original impulse, which Mr. Hill gave by his own effort and out of his own pocket. He did not doubt that practical experience would convince the farmer that the limitations set by this northern climate were vastly exaggerated and misunderstood. All northern Europe could testify to that. In a letter replying to a request for permission for a

party of farmers to visit his stock farm, he said: "If the visit will be of any service or encouragement to you, it will fill the principal object I have in maintaining it; which is to demonstrate in a practical way that live stock can be raised in Minnesota as well as or better than in any of the Western states."

He tried to hammer home another practical point: "When wheat was selling at 55 cents in Minnesota I thought I would try what wheat would do to feed steers. I fed a lot of steers one winter, ten miles from where we now are, and found that I got 82 cents a bushel for the wheat I fed to them. That is a lot better than selling it for 55 cents. When a man raises forty or fifty bushels of corn to the acre and has got to pay freight on each bushel of corn, which would be something more than seventeen hundred pounds, and if he had got a good steer to build on, that will give him from three hundred and fifty to four hundred pounds additional weight to the steer. Now he sends that corn to market under entirely different conditions, and he keeps at home one third of the value of all that he feeds the steer in the way of fertilization. Three years ago I bought seventy steers at about $40 apiece. I charged my wild hay up at $6 a ton, charged my oats at 35 cents and my barley at 48 cents, whatever the market price was, whatever I could have sold it for in St. Paul, I charged for it out at North Oaks. I sold those steers and they brought me a profit over and above what



"COMMODORE" NORMAN W. KITTSON

Mr. Hill's partner in the steamboat business on the Red River and one of the "four associates" with whose financial aid he launched his career as railroad builder

I got from my grain and hay, fed to them at the market price, of a little more than $80 apiece. A man ought to be satisfied when he can get a profit of $80 after selling his crop at the market price."

A record exists to show how mature were Mr. Hill's ideas and how complete his plan for the improvement of farm industry at this early day. The writer of these volumes spent a day with Mr. Hill at North Oaks in 1885 for the purpose of getting information about the introduction of high-grade live stock into the Northwest. The results were published, with Mr. Hill's approval, in Bradstreet's *Journal* for November 14 of that year. The following extracts from that article will show Mr. Hill's work to have been substantially the same in principle and method as that on which he was engaged at the time of his death:

> The history of the stimulation of interest in cattle raising in the Northwest is the history of extraordinary foresight and patient and helpful instruction. The progress made is due, more than to any other influence, to the plans of Mr. J. J. Hill, president of the St. Paul, Minneapolis & Manitoba Railroad. After some years of experiment and an outlay of hundreds of thousands of dollars, he has brought it about that the Northwest has to-day a more magnificent start in the industry of raising the finest breeds of cattle than was ever possessed by any other community in the United States in its earlier history.
>
> Ten miles north of St. Paul lies the great stock farm of Mr. Hill, known as North Oaks. To this establishment, a few years ago, after he had definitely determined to broaden the raising of blooded cattle from a private gratification to a public beneficence, he removed his stock possessions and headquarters. A careful study

of the herd books and of the authorised catalogues of Mr. Hill's collection justifies the deliberate statement that there is no better herd than this in all Great Britain. There are altogether 228 thoroughbred animals, imported at prices reaching, in some cases, as high as $6,000. Even one unversed in the technical characteristics by which cattlemen detect the presence of good blood cannot look over this magnificent collection without enthusiasm. And the significant fact, the one which gives force to the practical value of this great stock farm as something different from the gratification of an individual taste, is that, although Mr. Hill's agents have purchased abroad many noted animals, prize-winners in all England and Scotland, and now to be seen here, there can be found side by side with them descendants bred at North Oaks which are in no respect whatever inferior. On the contrary, some of the full bloods that have grown up in the Northwest give even greater promise than those of which they are the offspring. It is a matter-of-fact demonstration that the Northwestern climate is eminently favourable to the development of the best quality of cattle.

The practical feature of all this exhibit is this. Mr. Hill has established here not merely a private collection for his own satisfaction, but a live-stock nursery for the whole Northwest. From the stables at North Oaks have gone and are now going out animals that will diffuse the blood of the thoroughbreds through all northern Minnesota and Dakota. He has simply placed a premium upon attention to cattle culture, and provided that this culture shall be devoted to the production of the best. In the last two years 156 bulls have been thus placed by Mr. Hill in thirty counties in Minnesota and Dakota. Let any one versed in cattle raising compute the effect upon the character of stock. There is not another community in the country which started in the business of stock raising with anything like 150 blooded bulls to propagate from. And in this instance the animals are not, as is usual, collected in some famous stables, but are scattered over a score and a half of our enormous Western counties.

The obvious complement of the wheat field is the stock-yard. It is in the Northwest and has come to stay. How great the prog-

ress already made only those who know the genuine interest now taken as compared with the indifference of a few years ago can appreciate. The improvement of stock has reached such proportions as to call for comment in the last report of the Governor of Dakota, who refers to the value of the work to which Mr. Hill has given an irresistible impetus. It will be rare good fortune for the Northwest if its industry shall be diversified without the cruel pressure of failure and loss which have wrought the same consummation in sections that have passed through a similar experience. We have many railroad magnates in this country who might be the authors of unspeakable benefits to the communities dependent upon them if they chose. They have not been remarkable for a keen perception of the truth that their interests and those of the constituencies which they serve are inseparably connected. When a man of great wealth leans to such true philosophy, and devotes time, study, personal supervision of a great estate and immense resources to an end that seeks the public good, he deserves all the more credit perhaps for being large enough in mind to see that it is his own good as well. Stock raising in the Northwest will be heard from in the future. It is a chief ingredient and guarantee of steady, prosperous development. Mr. Hill has done most to accelerate its establishment by at least one generation.

The wildest imagination could scarcely have foreshadowed the immediate result, unless it could have entered into the slow and suspicious thought of the people who at that time constituted the bulk of the tillers of the soil in the Northwest. These people shared the dull but bitter antipathy of every frontier community for the railroad by which it must ship everything in and out. With or without reason, all sins were laid on the scapegoat carrier. Bad weather, bad farming, bad markets, individual shiftlessness or misfortune —the consequences of all were assigned to railroad

malevolence. The farmers to whom this proposition for stock improvement was made did not know just where the cloven hoof was hid, but they were obstinately convinced of the existence of some scheme for their undoing Many of them refused to have anything to do with the new-fangled plan. They were encouraged and confirmed in this attitude by the politicians and demagogues who, for many years, were to find their chief stock in trade in denunciation of railroads for any and every sin, real or imaginary Minnesota had become known all over the world by this time as the home of hard spring wheat, and the greatest flour producer of the world. This reputation, said the orators, Mr. Hill had set himself to destroy by his infamous attempt to undermine a great industry and an established reputation.

They did not stop to ask why he should wish to do this; what possible interest he could have in stock raising as against grain raising; why he should plot to damage the country along his lines, when the only result he could expect would be the certain decrease of the tonnage and freight receipts of his railroad and the dividends paid to him and the other stockholders. The bucolic brain refused to rise to such flights of logic. It did, indeed, assimilate one idea. It found that the calves sired by these imported bulls if sold for slaughter would bring from five to ten dollars a head more in the market than the ordinary yearling. Sold for meat

they were; and the cheaper stuff was kept for breeding purposes, as of old. But the experiment and the idea were, by reason of their originality, widely exploited. Here, as everywhere, Mr. Hill's first step was to inform himself thoroughly. He wrote a letter to the *Stockman*, reciting in minutest detail the best methods of raising root crops as a food for cattle. Volume after volume of his letter files at this time is full of correspondence from all over the United States, England, and Scotland on thoroughbred cattle, horses, hogs, and sheep. Here are collected herd books, copies of agricultural papers, notices of exhibitions, lists of prizes, and literally thousands of letters from interested persons who wrote to him for more information and a complete statement of his plan. Even his railroad operations up to this time had scarcely made Mr. Hill known to a wider public than was now attracted by the novelty and held by the soundness of his practical views on the conduct of a great industry. His cattle took prizes everywhere, and his ideas were indorsed by the intelligent.

"Against stupidity, the gods fight in vain." For the moment the experiment must be only partially successful and the scheme postponed. A few good herds, here and there, produced from this original imported stock, testified to what might have been done if far-sightedness and generosity on one side had not collided with lack of understanding on the other. For a time no more cattle

were brought in, and the offers made were not renewed. But Mr. Hill could never shake off the grip of an idea when he was convinced that it was grounded in fact. He kept up a zealous study of agricultural conditions, with a view to their improvement. In 1885 he made an address before the Minnesota House of Representatives, in which he covered the subject at length. At that early date he had thought out the whole question of the farmers' real interests. He said: "We must have better farming. We must have more intelligent methods. Our farmers, in place of relying on one crop as people of the South did in cotton, until they and their lands were impoverished, must diversify their industry. Experience has shown that there is no way in which they can do this so well as by raising cattle, pigs, and horses, and dairying." He said that at that time the farmers were raising wheat, working only four to four and one half months a year, buying the meat and butter that they consumed, without granaries and subject to all kinds of injustice through dockage at elevators for dirt and weed seeds, as well as quality. He gave a complete outline of a state inspection system, which was later adopted by the wheat-growing states of the Northwest. He showed that only by the issue of wheat receipts calling for a definite quality could a free and open market be obtained. The detail with which this scheme was marked out at that time, and the wealth of statistical facts by which it was maintained are both

remarkable. This was another instance in which Mr. Hill looked ahead of his time, and was able to prescribe proper regulations for the future conduct of industry and the well-being of the people. He warned, suggested, persuaded the farmer, in season and out of season. He forced ideas into thick heads by incessant pressure. He converted skeptics. The logic of his facts confuted and silenced the barkers outside political tents. Thirty years later, as will be seen when the story reaches that date, he was receiving national recognition and honours for the services he had rendered to agriculture.

A generation educated in the American public school, believing in the possibility of progress and anxious to learn its processes, was his new audience. This time he had many new lessons to give, but he did not drop the old one, and he no longer spoke to stopped ears and unbelieving minds. This time he was able to work almost a revolution. And in 1913, 1914, and 1915 he completed successfully the work of increasing the quantity and raising the quality of the live stock product of the Northwest: by means of precepts incessantly repeated, by example in the shape of new importations of blooded stock and by furnishing young bulls to farmers at prices they could afford to pay. He employed for many years Prof. Thomas Shaw, an expert in animal husbandry, to advance this interest and instruct farmers in it. He believed that great progress could be made by selecting and building up "dual purpose" strains of

cattle. In 1914 Professor Shaw purchased in England for Mr. Hill more than one hundred head of dual purpose shorthorn bulls, which were given to a selected list of farmers. He held fast to his original idea, his purpose, and his method; adding to it the plan to secure still better results by providing the average farmer with herds that would be high producers of both milk and beef, no matter if theorists declared it impracticable. He did an even greater work for general agriculture, which must have a chapter for itself. The whole story will reveal the main characteristics of the man: economic clairvoyance, economic breadth of view, public spirit, invincible determination that challenges time itself, if need be, for vindication. Into these side issues and interests Mr. Hill entered with the intensity of his nature. Undoubtedly they helped to vary the monotony—if it had been possible for him to find monotonous anything in which he was interested—of those years of the growth of his railroad system toward its still uncompleted destiny.

## CHAPTER EIGHTEEN

### WESTWARD HO!

FOR years after 1884, even after 1887, there were wide differences in public opinion about the ultimate purposes of Mr. Hill and his railroad. At the earlier date, which this story has now reached, comparatively few believed in his transcontinental ambition; and those who did were regarded as visionaries rather than practical men. Average intelligences could see nothing but failure in the plan that was being discussed as a possibility. Here, they said, is the Northern Pacific to the south, already finished and always financially in hot water. Here is the Canadian Pacific to the north, nearing completion and limiting the field in that direction. One of these systems is supported by bond sales, the other by favours received or hoped for from a helping government. Their through business has not been found adequate to support either of them. Their local business must certainly be as great as that of a third line, to be built through country still mostly unoccupied. No sane man could think of paralleling these lines through to the Pacific without inviting bankruptcy. The property over which Mr. Hill presided was making handsome

profits. It could do this because it ran through a fertile land, where population and wealth were constantly growing. But what could save it if it tempted the mountain passes of the continental divide and the Cascades, where local traffic would be practically nothing, and both construction and operation enormously expensive? For the most part, business men reasoned this way; and did not believe that Mr. Hill intended to carry his system farther than the Missouri River or, at the utmost stretch of fancy, to some point in Montana where he could make advantageous traffic connections.

Montana, by this time, had attracted public interest and was increasing rapidly in population. It was a spacious territory, where fortunes were made from range cattle, where immense mineral wealth was known to be stored in the mountains, where river valleys in great number and fertility promised well to agriculture. Sufficient resources were in sight to appeal to enterprise and capital. The great copper deposits in the vicinity of Butte were beginning to astonish the world. The area and high quality of the territory's coal deposits were beginning to be appreciated; no slight resource after a thousand miles of plain, where nothing better than lignite could be found. Here was an original source of much tonnage; a country short of which no railway once headed for it would be likely to stop.

It was also regarded as strategically valuable ground. From the Mississippi River westward to the mountains all important railway construction was on east and west lines. Some feeders, and occasionally a little connecting link ran north and south between the "zones of influence" of the transcontinentals. There was no north and south trunk line, for it would have no terminals at either end, and therefore no excuse for being. Up and down the Missouri Valley there was as yet no reason why a line should run. When the great mountain ranges were reached, conditions changed. Here was the place for lateral connections. All the big systems within reach were at least planning an invasion of Montana. The Northern Pacific had the advantage of crossing the territory with its main line, which passed through Helena. The Union Pacific had not been idle. The Utah & Northern, under its control, was in operation from Ogden, Utah, to Butte and Garrison in Montana. The people of Helena, already restive under non-competitive railroad conditions, had invited the Canadian Pacific to send an engineer to look into the possibility of building to that city. If there were room for another railroad through Montana, no time should be lost in securing suitable rights of way. For here was no stretch of prairie, where a dozen roads might build, if they cared to, without interfering topographically with one another, but a country of mountain ranges, with only a limited number

of routes available for construction at a reasonable cost. These once occupied, railroad building could proceed only by difficult feats of engineering and at almost prohibitive expense. It was important not to warn competitors of their danger; equally important not to frighten investors, already associated with the Manitoba system, with the prospect of an undertaking that many thought to be rash or doubtful, and most believed could never pay a satisfactory return.

Therefore, Mr. Hill did not trumpet abroad his long-settled transcontinental plan. His friends ought not to have been under any illusion. Chance statements in his letters already quoted disclosed his fixed determination. But it was not openly confessed. If need be, some discredit could be thrown upon it for the sake of blinding the public until some all-important preliminaries had been arranged. The following letter was written to a Montana man who had sent to Mr. Hill an urgent request for the immediate extension of his railroad to that territory. It is dated September 25, 1883: "I note all you say in regard to the Milk River Valley and the northern part of Montana, but that country is now served by the Northern Pacific Railway and there is not business enough to warrant this company in undertaking the construction of another line." Contrast with it the flowery and possibly apocryphal account printed in the St. Paul *Pioneer Press* in 1893, which nevertheless has some colour of fact beneath its obvious frescoing

of the picturesque: "Early in June, 1884, a little party pitched their tent where now is the eastern approach to the railroad bridge across the Missouri at Great Falls. One evening while the party were enjoying a smoke after a supper of mountain trout caught from the Giant Spring, two of them strolled down the river bank chatting on what they had seen. The older, a man of medium build, with dark eyes and hair, and a beard slightly tinged with gray, grew unusually colloquial for him. He declared that in three years the Manitoba road would be built into Montana. With a prophetic look he pointed to the distant Rocky Mountains then growing golden, and said, 'the Manitoba will even cross those great piles of rock and earth and press on to the Pacific Ocean until Seattle, Tacoma, and Portland are connected with the East by the best-constructed transcontinental road in America.' The speaker was James J. Hill. The railroad reached Great Falls in 1887, just the year he said it would." No one who knew Mr. Hill could believe that he used exactly those words; but nobody could doubt that he had the thought. He made no secret of it in expansive moments.

There is, indeed, evidence that his plan was consciously framed and definitely formulated earlier than this. Hon. Paris Gibson, later United States Senator from Montana, became acquainted with Mr. Hill shortly after the latter arrived in St. Paul. Mr. Gibson went west and, in 1882, was interested in fixing

a site for a city at the falls of the Missouri River, near the base of the Rocky Mountains. He furnishes the following account, written after the death of Mr. Hill, of the latter's purpose and remarkable grasp of the situation, only three years after the organization of the Manitoba Company: "I at once opened communications with Mr. Hill with a view of interesting him in the enterprise, and in November of that year went to St. Paul and placed before him such information as I had been able to collect, bearing upon this region and the founding of a city here. I was at once impressed with the rapidity with which he grasped the whole subject at that interview, as scarcely an hour elapsed before we had concluded a plan for locating a city at the head of the Falls of the Missouri River. A year and a half subsequent to this meeting Mr. Hill came to Montana for the first time and spent a day with me looking over the townsite, the water power, and the adjacent coal fields. As night came on, and just before leaving for Helena, one hundred miles away, where he was to take a Northern Pacific train for St. Paul, he stood on the river bank and outlined to me a plan for extending his railway line westward from the Red River Valley to the Falls of the Missouri; assuring me that he would build the proposed road in a shorter time than any road of equal length had been built on this continent. This plan, as I have reason to believe, came full fledged from the brain of this remarkable man and was the result

of what he had seen during that one memorable day. I can bear testimony to the fact that the plan outlined to me on that occasion was carried out almost to the letter. It has ever been my belief since that eventful day when Mr. Hill saw for the first time the Falls of the Missouri River and their immediate surroundings, that no other capitalist and railway builder in the world could have comprehended at a glance, the resources and the possibilities of this great Rocky Mountain region; would have dared at this early date in the history of the Far West to build a railway line through a trackless wilderness then composed largely of Indian reservations. Let it also be understood that, in extending his road into this unsettled country, he was paralleling the Northern Pacific Railway that had been heavily endowed by the National Government, while his projected line was to be built without the aid of a dollar from that source. Among the great achievements of our country, in railway building, this extension of the Great Northern Railway system from the Red River Valley to the Falls of the Missouri in central Montana easily stands as the first."

The watchword of the railroad whose destiny Mr. Hill had planned was "Westward, ho!" Not only was it policy to conceal this, but a real obstacle had called a halt. Right across the path were Indian and military reservations, beginning in northwestern Dakota and covering most of the country from a little west of Minot

to the summit of the Rocky Mountains. Not a foot of road could be built within this sacred area without federal permission. The enemies and rivals of the road succeeded for some time in blocking action by Congress. Means for the bold dash to Helena had to be raised and preparation for construction made, while as yet permission to enter the country was withheld.

In 1886 an Indian reservation extended from a point not far west of Minot to the White Earth River. The country from that stream to Fort Buford military reservation was public land. From the western limit of this military reservation to the Marias River extended territory belonging to the Indians, unbroken except by the reservations of Fort Buford and Fort Assiniboine. The first legislation to permit the St. Paul, Minneapolis & Manitoba to cross this country was vetoed by President Cleveland in 1886, because its terms and the necessities of the situation were not clearly understood. But Congress, yielding to the pressure of public opinion and interest, passed another bill, approved February 15, 1887, by President Cleveland, granting a right of way through the Indian and military reservations in northwestern Dakota and northern Montana.

The right of way granted was seventy-five feet on each side of the railway track, and included the right to take materials for the construction of the road from adjacent lands, and also additional lands for station purposes, 3,000 feet long and 300 wide, but not to

exceed a grant for one station for each continuous length of ten miles of road. It provided for appraising the lands taken and making payment for the same to the Department of the Interior for the benefit of the Indians. The damages were assessed by appraisers selected by the Secretary of the Interior. The amounts awarded were approved at different times during 1887, and the money was paid in. A map of the definite location of the line was adapted and the company was authorized to proceed with construction. Between Minot and the east line of the Indian reservation, between the White Earth River and Fort Buford military reservation, and between the Marias River and Great Falls the country was public land and was covered by the general right of way act of March 3, 1875, granting to railroads a right of way through public lands. The price paid throughout averaged practically fifty cents per acre, with some additions where small improvements had been made. The country through which the line would run from Minot to Fort Benton was almost entirely an unsettled wilderness. Mr. Hill said of it, many years later: "When we built into northern Montana, and I want to tell you that it took faith to do it, from the eastern boundary of the state to Fort Benton was unceded Indian land; no white man had a right to put two logs one on top of the other. If he undertook to remain too long in passing through the country, he was told to move on. Even when cattle

crossed the Missouri River during the first years to come to our trains, the Indians asked $50 a head for walking across the land a distance of three miles, and they wanted an additional amount per head, I don't remember what it was, for the water they drank in crossing the Missouri."

To make an end here of the record of obstacles, it may be added that when the Pacific Extension came to be constructed from Pacific Junction, the Blackfeet reservation began at Cut Bank Creek and extended to the summit of the Rocky Mountains. The greater part of this lying north of the Marias River was extinguished in May, 1888; excepting Fort Peck, Fort Belknap, and the present Blackfeet reservation. The act ratifying this cession authorized the Secretary of the Interior to grant rights of way over the unceded parts of the reservation. Under this provision the right of way for the Pacific Extension over the Blackfeet reservation was secured. On March 2, 1899, a general act was passed granting rights of way for railroads through Indian reservations and Indian lands, after due compensation to the tribes or individual Indians affected. Mr. Hill said, many years afterward: "It was hard work to get across the reservation when we got west of Minot. We had to buy the right of way from the Government. Other railroads had land grants and money, but we had to pay for our right of way from the east side of the Berthold reservation, as it used to be,

up to Havre. But we get through all right." The appearance of a reservation as an obstacle to railroad construction seems now to belong to a past so distant that it is hard to realize what delay, uncertainty, and expense, in the earlier opening of the country, were attributable to this cause, and how great enterprises could be hung up for years at the boundary of a desolate and unused Indian preserve. When connections should be established with the cities of Montana and the railroad construction under way there, it would be but one stride across the backbone of the continent, and another over the Cascades and on to the Pacific. But the public did not believe it was going to be done.

The preliminaries of the westward movement were as carefully arranged as those of a great battle. Mr. Hill knew the country well and kept constantly adding to his stores of information. Volumes of letters in his old files are bursting with it. He had already arranged for a strategic occupation of the ground. He said: "I visited and made personal inspection of various lines on the ground, examined the country and the soil, water and climate, and the company spent a very large sum of money in examining the various locations; practically made examinations enough, from the international boundary line south to the Big Hole River, to enable us to make a model of the Rocky Mountains. We spent, I think, over eight hundred thousand dollars in surveys before we did any work at all."

The time was not ripe to disclose anything to either his railroad rivals or his own stockholders. Therefore he had long before gone quietly to work, with and through a small number of personal friends, to lay a foundation. In January, 1886, the Montana Central Railroad Company was organized, ostensibly to connect the new town of Great Falls with Helena, Butte, and any other points in the territory that it might elect. It issued $5,000,000 of stock and in May, 1887, the issue of $10,000,000 bonds was authorized. At the same meeting the directors entered into an agreement with Mr. Hill "to evidence in the main and to supersede a verbal contract between the parties long since made and partly executed," by which he was to furnish, in addition to past advances, the money necessary to construct and equip the line, and was to receive the stock and bonds of the company in exchange. The Montana Central was, to all intents and purposes, James J. Hill. It was organized to occupy the Montana field until the Manitoba should be ready for the rush westward from Minot, which was to break the world's record for railroad building. When Mr. Hill should be ready for that performance, from which the Indian reservation still barred him, he proposed to fall into friendly hands at the Montana end. So he arranged that those hands should be his own. But let it be perfectly understood that in this he was not acting for his personal interest or profit.

He was acting, in the fashion that seemed most prudent, for the railroad; and by August of the same year the Manitoba Company had taken over and assumed the agreement that he had entered into with the Montana Central.

Neither did he leave any loose ends behind him. The old lines of the Manitoba had been revolutionized. The whole system was being made to conform to that definite standard of construction which was dictated to Mr. Hill's mind by relative cost of operation. The following, from a letter dated April 9, 1884, described what was being done: "During the last two years we have spent a great deal of money for steel rails, ballasting track, transfer yards, terminal facilities, new equipment, new shops, and in fact have put the road in better condition than any railway similarly situated that I know of in the West, and consequently are today enabled to operate our road at a lower rate of expense. We have now more than one thousand miles with a 26-foot maximum grade and only 220 miles with more than a 30-foot maximum grade. The latter we expect to reduce to 26- and 30-foot maximum within the next two years. When this is done no railway in the world of one thousand miles or more will have the same low gradients." One cannot recur too often to this principle of construction, or emphasize it too strongly; because, while it was the keystone of Mr. Hill's policy as railroad builder and manager, and is univer-

sally accepted to-day, it was neither commonly recognized nor followed at the date which this story has reached. Railroads in the Far West were built more or less at haphazard, between points where there seemed to be a good opportunity to get business. The line once determined, first construction was left mostly to contractors or construction companies, who looked after their own interests. Operation was a matter of mechanical routine. The relation of construction to competition, to future rate policies and to economic development seemed too remote and technical to bother the brains of financiers and "magnates," as they were beginning to be called. But these were pivotal facts for Mr. Hill.

He wrote, about this time, to Mr. Kennedy: "I think our policy should be to build only such branches or new lines as we are sure will prove good; and by cutting down our grades, etc., put the whole road in condition to give such low rates that opposition enterprises must be bankrupted. We are now assuming this position; and that while, I believe, materially bettering and strengthening the property." And to Marcus Daly, at Butte, near the same date: "When our lines are completed through to your place we hope to be able to furnish you all the transportation you want, both through and local, at such rates as will enable you to largely increase your business. What we want over our low grades is a heavy tonnage; and the heavier it is,

*the lower we can make the rates.*" Here is the exposition, from both points of view—that of owner and operator and that of customer—of the principle on which he relied to make railroads, settlers, and business enterprises coöperate in building up the country and bringing steady and increasing prosperity to all. If every management had been guided by this principle—the lower the rate that can be made with justice to the property, the greater will be the final profits of the owners—not only the railroad history but the political history of this country would have been profoundly changed. Controversies might have been avoided which materially affected public life for more than a generation, and lessened that belief in individual responsibility and that fear of paternalistic government so strongly present to the minds of the founders of this republic, and intended by them to be permanently incorporated in their work.

These major operations no more interfered with a careful survey of the field already covered and its needs than an engagement in front prevents a good general from guarding his flanks and keeping his lines of communication open. In 1883 Mr. Hill had taken steps to provide, at a point between St. Paul and Minneapolis, for the interchange of freight between East and Northwest. Long afterward he said that a railroad without adequate terminals is like a man without arms or legs. A few years before the end of his life

he made an elaborate study of the terminal problem on the Atlantic seaboard, and made suggestions and recommendations whose wisdom the years will justify. One of the most attractive features to him of the old St. Paul & Pacific was the ample terminal facilities belonging to it in St. Paul, and he was willing to share them so long as he felt that he retained a liberal provision against future needs. The St. Paul Union Depot Company was incorporated in 1879, the Minneapolis Union Railway Company in 1881. For the former Mr. Hill was helping, at the time of his death, to plan a modern passenger station on an elaborate scale. At Minneapolis the "Manitoba" passenger depot was completed in 1885, and used until 1914, when the new Great Northern depot was put in operation.

He foresaw a congestion of freight in what were long afterward called the Twin Cities, when half a dozen lines between them and Chicago and four transcontinentals should have to break up and re-form their freight trains at this point. Therefore, he promoted the organization of what was nothing but a great clearing house for the exchange of freight cars. This was the Minnesota Transfer, located midway between the two cities. It was incorporated March 22, 1883, and became later the property of nine railway systems. Without it, there would be chronic and deadly congestion of traffic at this centre. It owed its origin to the vision and energy of Mr. Hill. Looking back upon

this work in 1907, he said, "I started the Minnesota Transfer years ago. People found fault with me. Both St. Paul people and Minneapolis people said that it was going out of the city to establish something outside. I bought the property and carried it for about a year; bought it at $175 to $250 an acre. Some real estate men thought that it was going to be everything, that the railroad was going to move out there, and they got prices up to $700 or $800 an acre. Then the other roads thought it was a good thing to come in, and I turned it over to them at what it cost, with 6 per cent. interest, and that made the Minnesota Transfer. That was a cheap place, and to-day it is a railroad clearing house; and it saves immense amounts of money, because the transfers are made out there and it is done on ground that is not too expensive. You couldn't come into the cities and do it, for you couldn't find a level place where all the roads could get together." In 1916 more than 700,000 cars of merchandise were handled in these transfer yards. This is one of the most telling of all the vindications time has given to the foresight and prudent care for the future that were so characteristic of Mr. Hill. In 1885 and 1886 were organized the Willmar & Sioux Falls Railway Company and the Duluth, Watertown & Pacific; the latter incorporated ambitiously to build from Duluth to Cheyenne, Wyoming, which were later gathered into the fold of the "Manitoba" and the Great Northern.

Now followed the wild flight of the Manitoba system, so soon as the Indian reservation bars were let down, to a connection with the Montana Central, which was to bring it more prominently to the front than ever as a model of energy and daring, and to confirm in the public eye its transcontinental purpose. Financial and other details, which would embarrass the story at this point, will be reserved for a succeeding chapter. The word, "Westward, ho!" was passed along. Small lines were being bought and branches built every year to round out the system at its base in Minnesota and Dakota. Out as far as Minot the main line streaked the lonely prairie. In August, 1886, official notice was taken of the mooted programme in the adoption by the stockholders of the following:

"Whereas, the president has called the attention of the meeting to the rapid settlement and increase of business in the Territory of Montana which appears to be of great interest to this company;

"Resolved, That the Board of Directors be and hereby are directed to take such steps as they may be advised with a view to ascertaining the volume and probable value of the business liable to originate on the Montana Central Railway and the territory tributary thereto, and whether it would be expedient for this company to secure a connection with the said Montana Central Railway with the view of securing said business and to

take such action as they may deem best for the interests of this company."

By the middle of December the committee appointed under this resolution was ready to report that, "taking the Montana Central as a whole, we consider it wonderfully well conceived, and it has secured what appears to us the only available route between Helena and the navigable waters of the Missouri River." The occupying of that route had been the result of a silent battle between the scouts of the three great railroad systems interested in this region, as real and grim as encounters between outposts of hostile armies. The strategy and the movement had both been directed by Mr. Hill from his stronghold in St. Paul and on repeated visits through the wild country to the front. The committee recommended, of course, in the strongest terms, the extensions of the Manitoba to a connection with the Montana Central, and the purchase of the latter "if it can be brought about"; a whimsical condition when it is remembered that the same person who dictated the resolution had the potential control of the Montana Central tucked away himself. To its many good and sufficient reasons the committee added the following statement: "It was stated to us as a fact, the truth of which we have no reason to question, that for some years the Union Pacific Railroad Company has paid the Northern Pacific the enormous bonus of $500,000 per annum in cash, in order to prevent

it from building a branch line to Butte, and thus enable it to retain a monopoly of that region via its Utah Northern Branch. That is the interest on $10,000,000 at 5 per cent. per annum, and that one fact alone shows the value of a railroad connection with that city."

The die was now cast, the policy settled and confessed, the way prepared. But the actual achievement of closing the gap which still existed between the terminus of the Manitoba on the plains in 1886 and the cities of Helena and Great Falls was to write a new chapter in the history of railroad construction. The Montana Central itself had set no poor example. To forestall the Northern Pacific, the company commenced active operations from the moment it was incorporated. During the coldest weather and through the deepest snows of winter, the line was surveyed; and as soon as the surveys were run, building commenced. The line of the Manitoba in 1886 had reached Minot, 530 miles from St. Paul. The work cut out for it the following season was to grade over 550 miles of railroad to reach Great Falls, to put in the bridging and mechanical structures, to haul ahead of the track by teams all material brought up by rail, so as not to delay progress, and to lay and put down in good condition the rails continuously and from one end only.

The same contractors who had made a record in the building of the Canadian Pacific were employed here. Mr. Hill knew what could be done, and he exacted it

mercilessly. The contractors, with experience to guide them, knew just what to do, and could improve on their own past. Grading and bridging having been done in advance, the rails could be shot out and spiked down with amazing rapidity. Mr. D. C. Shepard, the chief contractor, has preserved in a memoir a concise description of this performance as an engineering feat: "In the year 1887 our firm constructed 1,175 miles of railroad, of which the remarkably rapid construction of the St. Paul, Minneapolis & Manitoba Railway from Minot to Helena formed a part. The track laying on this great work was commenced five miles west of Minot, April 1, and was completed to Helena November 18, 1887, a distance of 648 miles and at an average rate for each working day of 3¼ miles. Five hundred miles of this distance remained on April 1, 1887, to be graded and bridged ahead of the track layers, and this work was completed September 1, 1887, at the average rate of one hundred miles per month. From the mouth of Milk River to Great Falls (200 miles) the grading progressed at the rate of seven miles per day. In preparing this roadbed for the track there were moved 9,700,000 cubic yards of earth, 15,000 cubic yards of loose rock, and 17,500 cubic yards of solid rock. Nine million feet, board measure, of timber and 300,000 lineal feet of piling were hauled ahead of the track and placed in the work. The force employed on the grading was 3,300 teams and 8,000 men, and on the track laying and timber work 225 teams and 650

men. On July 16, 7 miles and 1,040 feet, and on August 8, 8 miles and 60 feet of track were laid by the regular gang, without increase in number. An iron car axle broke at 4 P. M. on the last date, causing a delay sufficient to have laid one half to one mile more track had it not occurred. It is true that no railroad has yet been constructed as rapidly as this where the work could be reached and carried on only from one end, and it is very doubtful whether 648 continuous miles of track will ever be laid again in seven and one half months at the average of 3¼ miles per day for each working day and by one gang. The record of progress by months is as follows, the distances given being those west of Minot: April 2, 2 miles; May 1, 35.1; June 1, 111.1; July 1, 191.7; August 1, 292.3; September 1, 407.5; October 1, 509.3; October 15, 549.75. The largest month's record was in August, and the largest week of any seven days was from August 6 to 13 inclusive, 32.5 miles being laid. The largest individual day's work was that gigantic record of August 11, when 42,400 feet were laid between daybreak and dark, the end of the track being 325.6 miles from Minot in the morning and 333.8 miles from Minot at night."

Mr. Hill himself said: "It was a long and hard summer's work. A great many people called it my folly. It was a burden at that time to be even criticised with a small degree of hospitality. Money was not so plentiful. Our country was newer, our ability to handle our

enterprise greatly limited to what it has become since then. After the road was finished to Helena it was five years before it earned a dollar toward paying returns on the capital invested. A railroad to be successful must have tons of freight to move. At that time wheat was the chief tonnage. I remember an unfriendly critic writing for a magazine in the East said the only thing the country produced was buffalo bones, and when they were all hauled out of the country there would be nothing left to haul and it would go back to the Indian."

A year later he reported upon the performance of the completed work. As always, the method of building, with relation to operation, came first in his thought. "Reference has heretofore been made to the exceptional character of this line as to grades and curvature. With the exception of 18 miles of temporary line the maximum is 31.7 feet to the mile, and on about 400 miles of the 550 from Minot to Great Falls the maximum is only 21 feet to the mile." In like manner he noted that the line from Helena to Butte "is laid with steel rails of seventy-five pounds per yard section, and white oak ties have been laid on all the curves." He built for permanence, but he built also to carry business. A branch line of the Montana Central had been extended to Sand Coulée, where there were mines of coal excellent for both steam and domestic uses. "When these mines are sufficiently developed to meet the present demand of the public, they will

afford a large traffic for both companies, and effect a large saving in the fuel required for their own engines, for depots, and other purposes." Early in 1888, as noted elsewhere, the Manitoba Company acquired the entire capital stock of the Montana Central Company, and $2,500,000 of its first mortgage bonds, upon the basis of the actual cost of the property.

This is the old story of some apparently chimerical enterprise completed by Mr. Hill and almost instantly blooming as if by magic into a highly prosperous and profitable affair. To those who had hooted at the Far Western venture he could now say, almost at the moment of first trial: "The great value to the company of its Montana lines has received prompt demonstration in the traffic already developing along the line of the Montana extensions. With the development of the industries which the stimulating effect of these new lines is sure to bring about within the next year or two, the company's traffic will rest upon a solid basis, not to be materially affected by the fate of any one grain crop." Only one year later Montana coal was finding a market 600 miles eastward on the company's line and furnishing more than 40 per cent. of the coal used by it. These developments were a revelation at that time to people who knew little about that portion of the country, who scoffed at the idea of building up business through it, and who still held tenaciously to the fittingly aboriginal theory of a traffic limited to buffalo bones.

The dominating idea of the work was now revealed to all who cared to look, and the greater part of it had been accomplished. A year before Mr. Kennedy had written, "People all seem to be waking up to the idea that sooner or later we will become a transcontinental line." A long stride toward it had been taken. But faith was even now more easily instilled and firmly held at the East than at the West. Out in his own country people still thought Mr. Hill's transcontinental plan visionary; still believed, as they did when the deal was made with the Dutch Committee for those old bonds, that his enthusiasm ran away with his judgment. But none of them, with his line at Helena and Great Falls, ought to have doubted any longer what he had in mind. Whatever might be the folly of building through to the Coast, it would not compare with the folly of building into the mountains and leaving the line up there in the air, a thousand miles from anywhere. The gap remaining would certainly be crossed. But how about the base of supplies? What was by this time the financial condition of a system which had been obliged to pour out money like water for new lines and old? Records are not broken without paying for the distinction. And what else was happening in the life of Mr. Hill in these years besides the daily drudgery and daily enthusiasms—hardly distinguishable in his mind from each other—of his work on and for the railroad?

## CHAPTER NINETEEN

### A PEAK IN DARIEN

AS FROM his peak in Darien the explorer saw the reward of his life's efforts, so Mr. Hill could now rest for a moment on the mountain peak that his railroad had surmounted and realize the sure achievement of his long ambition. Plans were already under way for building on to the Pacific. This must needs be more leisurely, for construction through the mountain country would be difficult and costly. On the other hand, mystery and haste might both be dismissed, because there were no longer any lions in the path. The opposition which had hoped to exclude a rival from the traffic-producing centres of Montana could not interpose between Great Falls and the shore of Puget Sound. Already the mountain passes to be followed had been examined and selected, though where they lay was hidden in Mr. Hill's secret counsels. There were plenty of available Pacific terminal points ready not merely to welcome the new railroad but to offer it substantial inducements. The march of conquest was over. The country was open for occupation. The time had come to compact old interests; to create or foster new ones that, though highly important, had been secondary up to this

point to the main railroad theme; and to prepare an organization adequate to the future of a transcontinental system which was to be not merely a connecting link between the Great Lakes and the Pacific Ocean, but the creator of a new zone of production for which it would supply at either end a sufficient outlet. Other vast plans, affecting the commerce of the world, as yet perhaps mere adumbrations of the future rather than definitely shaped, could be seen dimly against the distant skyline. It will be well to rest a moment on the Montana heights, till the light grows stronger, and see what else of interest in this life took place in the years between 1883 and 1888.

The most important thing next to operation and construction, the thing, indeed, without which the latter would have had to pause, irresolute, was the financing of the system. Mr. Hill had worked thus far on a plan which involved enormous care of detail, but was correspondingly secure against the shock of any widespread single disturbance. So far as possible, the subsidiary lines whose ownership or control seemed desirable were obtained by a guarantee of bonds, which usually carried with it control of capital stock, or made it obtainable on very easy terms. Out of these bond proceeds the little lines were built. Then those who held the stock began to look about them for a purchaser. In that transaction they would make their profit. In those times finance flew low, so far as totals were con-

cerned. Mr. Hill was always a good trader. He watched his field and bided his time. When a line was in difficulties, he gathered it in. When a competitor could have used it, those in control and possession happened astonishingly often to be friendly to the St. Paul, Minneapolis & Manitoba. As in the case of the Montana Central, unsuspected third parties, wearing no badges, organized a new company somewhere, apparently to build a bit of road locally desirable. Later on it would be brought into the fold. In this way the old Manitoba Company, with all its limitations, had carried its continually growing burden up to this date; but it called for careful and intelligent financing.

Of the $50,000,000 consolidated bonds authorized in 1883, it will be remembered that $20,000,000 were available, after clearing off all funded and floating debt, for future construction and were to be issued as needed. A comparatively small amount would suffice; because these unacknowledged subsidiary companies put out their own securities. When they were taken over formally, only a guarantee of their bonds, which remained outstanding, was called for. This was an extremely convenient fiscal scheme for a growing system that needed plenty of cash and could not yet estimate its total requirements or cast its future into rigid form. The Dakota extensions had carried their own mortgages. So did the Montana Central. So did the company organized on the same plan to prosecute

operations from Everett and Seattle. The parent company could wear light armour if it desired. But Mr. Hill never scamped the margin of financial safety or neglected an undefended point. Indeed, the student of either his earlier or his later career is often undetermined whether to give the palm to his work as a railroad builder and traffic director, or to assign it to his financial previsions and triumphs. For these latter were not born of dealing with huge sums in cash and credits after his enterprise had succeeded. They run back to early origins. How he handled the Dutch Committee, how he valued and scheduled every item of the purchase, how he framed the original financial plan and guarded the credit of the company as another man would watch over his private cash box, how he discouraged speculators from going gunning after Manitoba stock in Wall Street, has been told. Now, in order that the company might be provided against any contingencies, that it might not again have to hold back the profits of its stockholders and use them for current expense, he established the reserve fund which became, for the time, to the Manitoba what the balance wheel is to the engine or a reservoir to a city water supply.

He recommended this in his report of June, 1884: "In view of the large expenditures that require to be made from time to time for replacement of iron with steel, purchases of equipment, and other permanent

improvements, it has been deemed wise by the directors to set aside a fund to specially provide for these extraordinary expenses when they occur, and it is their intention in the future to set apart therein each year such sum as the earnings of the road will justify, until this is ample for any contingency." In December of the same year this was carried formally into effect by the directorate. After providing for fixed charges and a dividend of 6 per cent. on capital, all surplus income was to be placed to the credit of a "Reserve Guarantee Fund," until the total should amount to two and a half million dollars. This amount was held perpetually at command; one million being in bonds of the company, and the remainder in cash or securities at the option of the board. It was a dreadnaught of immense offensive and defensive power in a time when railroad managements generally were willing to live from hand to mouth; little able to resist the temptation to distribute all surplus revenue immediately, and hence almost unprotected against a surprise attack.

Many men of wealth and position in different parts of the world were stockholders in the St. Paul, Minneapolis & Manitoba. Many others were being attracted toward it as investors. The connection with the Bank of Montreal and, through that, with high financial authorities in London, had brought it to English notice and secured for it the confidence of an important circle of English capitalists. The Dutch bankers, who

had got their money, followed with a regretful and confiding eye the property which they had sold. German capital was now pouring into New York through houses with German affiliations that founded some of the greatest American financial concerns of to-day. They had taken a hand in Northern Pacific. They were astute enough to see a still better investment in this new line, which had the Northern Pacific beaten in advance from an operating standpoint, and whose financial record was so much more promising. Mr. Hill personally had made himself and his plans known during some hurried visits to Europe. Among people of wealth and influence his achievements distinguished him, and his powerful personality drew and held men. From this time date real friendships with investors and others, not merely among the big monetary concerns, but with individuals important officially, personally, and through business or family connections in high financial circles. His project was alluring and looked sound. This man, with his big brain, his prophetic gift, his Napoleonic eye, inspired at the same time business confidence and personal attachment.

The colonization of the stock of a new enterprise, in the eighties, when there were not such agencies for distributing securities as exist to-day, and when much of the investing public was old-fashioned, distrustful, and ignorant of important developments, was as big a task as the colonization of the land through which it ran its line. Like the land, it had to be advertised

until its merits were known. Like that, it had to be broken up into small parcels and scattered among small investors as a permanent possession. Big money would be necessary to carry out the plans of Mr. Hill from this time forward. He proposed a reversal of the order of procedure hitherto followed in their financing. In a letter to Mr. Kennedy in October, 1886, with reference to plans for a coming bond issue, he said: "All our rivals that are building new lines provided their money first and did the work afterward. We have done our work first and provided the money afterward; and the result is that our rivals have done better than we. Do not let us repeat the mistake." At about the same time, in these counsels for the future, Mr. Kennedy wrote to Mr. Hill: "My confidence in your judgment and integrity is such that I am ready to the extent of my ability to go into anything which you ask me to, in which you are yourself interested, and of which you have the controlling direction." It would be difficult to frame a higher tribute. But one must have known Mr. Kennedy, rigid, punctilious to the limit in matters of financial honour, exacting and rigorous as only the canniest of Scotch Presbyterians can be, to measure the full force of this compliment to a man with whom he had now been in close business association for nearly ten years, in affairs of infinite opportunities for slackness in management, and endless openings, difficult of detection, for turning the common interest to private

advantage. Twenty-five years more of such association were only to cement the relation more closely.

The public advertisement of an issue of $5,100,000 gold 4½ per cent. bonds offered in 1886 carried this information as to the value of the property and its assets: "The St. Paul, Minneapolis & Manitoba Railway Company has a system of 1,509 miles of completed road, with 340 miles additional under construction and about finished. Capital $20,000,000, funded debt of $32,636,000 and no floating debt. Consolidated mortgage is limited to $50,000,000 and all future issues under it are in exchange for bonds already outstanding or for construction or acquirement of additional track at the rate of $15,000 per mile for each mile of single or $27,000 of double track. These bonds have the further security of the land grant, amounting to about 2,289,000 acres, subject only to the first mortgage bonds of which there remain outstanding $5,250,000. Land sales during last fiscal year averaged $5.30 per acre. Consolidated bonds so far issued bear 6 per cent. interest, but this issue bear 4½ per cent." These bonds were to provide for new mileage; and subscriptions were called for at 98½ per cent. and accrued interest to date of delivery. A loan at this high price and low rate of interest might well be offered with some misgivings. No wonder that Mr. Kennedy was jubilant next day when he could write, "I have just learned that the loan has met with great success, and at this writing —1:30 P. M.—two and a half millions of the bonds have

actually been sold in New York at the price named in the advertisement." And four days later, "Just a line to say that Mr. Schiff, of Kuhn, Loeb & Co., called on me a little while ago to say that he had received cable advices from Berlin this morning that the half of the $5,100,000 of 4½ per cent. bonds set aside for Europe had been applied for there five or six times over and his correspondents were puzzled what to do about it." The credit of the new company was now fixed beyond peradventure in all the great financial centres of the world. Not a bad seven years' work; and a base of operations not to be despised in the big financial reorganizations that Mr. Hill could see stretching out before him in ever-widening circles through years to come.

Montana construction was financed as that of the Dakotas had been. On March 15, 1887, a bond issue of $25,000,000 was authorized on the lines built in the former territory, not to exceed $25,000 per mile of single or $40,000 of double track. Of this, $7,000,000 were to be issued at once and offered to Manitoba stockholders at 80 per cent. flat. The scrupulous care with which Mr. Hill conducted this transaction appears wherever his personal interest and that of the company were in any way involved together. He could not, while the preliminary work was going on, trust any one else with control of an enterprise essential to his own. He had to be the Montana Central himself, just as it had later to be incorporated with the

Manitoba. Now that the transfer must be made, he wanted no misunderstandings. In a circular sent by him to the stockholders in advance of the meeting of August, 1887, where the purchase of the Montana Central was to be ratified, Mr. Hill spoke very plainly his conviction: "The question of the acquisition by the company of an interest in the Montana Central Railway Company, its capital stock or securities, and the terms thereof, will be brought before the meeting for its action. As the capital stock and securities of the Montana Central Railway Company are at present owned by me individually, and as the representative of other parties associated with me in the enterprise (some of whom are also officers and stockholders of the company), and I must consequently be a party to the transaction, if made, and personally interested in it for myself and my associates, a full representation of the stockholders of this company at the meeting, and their intelligent action upon the matter is especially desired." Of course the purchase was made; and the man who had signed, in fear and trembling, with three associates, nine years before, a note for $280,000 now turned over to the company which assumed his obligations and guaranteed the bonds, 40,000 shares of the Montana Central, $2,500,000 of its 6 per cent. bonds, and all the remainder of its capital stock that he did not require to discharge obligations already entered into.

Although the purchase of small lines that might be

useful to the system or dangerous in the hands of an enemy, and the building of feeders went on, their finances were easily handled. Except for the issue of $8,000,000 of collateral trust bonds in the same year, this was the last considerable financial transaction in which the St. Paul, Minneapolis & Manitoba Company engaged. The Great Northern was about to fill a larger place and furnish a base for responsibilities correspondingly enlarged. From this year also the interest on all consolidated bonds remained at 4½ per cent., the extraordinarily low rate to which the security and prosperity of the system now entitled it, as experience had proved, in the esteem of investors.

That prosperity and security were matters of official record. The record deserves a place here, because it really embodies the achievements of one man. Helped though he was by able assistants, the planning and the execution, in all but unessential details, were the work of James J. Hill. The official record for the fiscal year 1887 sums up tremendous operations: "The new mileage under construction within the period covered by the fiscal year ending June 30, and the residue of the calendar year 1887, including both what has been and what will be graded, but not supplied with superstructure within that period, amounts to the relatively large quantity of 1,448.97 miles, or 95.5 per cent. of the mileage under operation at the beginning of the same fiscal year." The fol-

lowing statement, made by Mr. Hill in November of this year to Mr. Kennedy, to be read by members of the board as an explanation of how the large sums of money raised within the last two years had been disposed of, sums up the financing of this time of record-breaking construction:

| | |
|---|---|
| We had, May, 1, 1886, in cash from proceeds of consolidated bonds | $1,400,000 |
| Consols sold, including options $12,100,000 at 91½ | 11,555,500 |
| Minneapolis Depot Bonds | 500,000 |
| Montana Extension Bonds, $7,000,000 at 80 | 5,600,000 |
| Surplus earnings, say | 750,000 |
| Total | $19,805,500 |

Out of this we have bought and paid for a number of properties, which, while they are most valuable to the company, are not a part of the new lines or even in some cases of the old, as follows:

| | |
|---|---|
| Land Contracts | $500,000 |
| Minneapolis Union Depot property | 320,000 |
| New ground for elevators at Minneapolis and near right of way, and new depot grounds at St. Paul, Minneapolis and St. Cloud | 200,000 |
| New General Office, land and building | 225,000 |
| Lake Superior & Southwestern Ry., elevator, docks and land | 520,000 |
| New Equipment | 1,780,000 |
| Montana Central | 1,350,000 |
| Grading completed this fall | 1,150,000 |
| New work, cuttings, grades, etc | 650,000 |
| Total | $6,695,000 |
| Total received | $19,805,500 |
| Less above | 6,695,000 |
| Cost of road | $13,110,500 |

Eight hundred and eight miles of consolidated lines constructed, plus 410 miles of Montana Central, or 1,218 miles at $10,700 per mile, equals $13,105,680. The above figures are in round numbers, and a correct detailed statement would add fully $200,000 more to the purchase and reduce the cost of all new lines to about $10,500 per mile. All of the above properties are worth much more than they cost, and the Montana Central and Lake Superior properties will very soon add several millions to the values of the company's property. This will give the board some idea of the disposition of the large sums of money raised by the company during the last two seasons.

As indicated by one of these items, the Manitoba had freed itself from the necessity temporarily assumed of participating in the ownership of the St. Paul & Duluth. It had established its own connection with the head of the lakes. This part of the plan had always seemed of vital importance to Mr. Hill. The link from St. Cloud to Hinckley having been completed, as noted in a previous chapter, it was necessary to get from Hinckley to the head of Lake Superior over a line of his own. Other companies were trying or pretending to try to get into Duluth from the southwest, and so occupy or tie up facilities for entrance and terminals. Mr. Hill kept a jealous eye on this position. Referring to these outside schemes, he wrote to Mr. Kennedy, with a characteristic grim jocularity: "Of course, you will understand that we are watching all these enterprises closely; and, while we give them no encouragement, we keep our place. So that, if anything should occur to give them the breath of life, we will be around at the

christening." The Lake Superior & Southwestern was one of the old charters which had been granted freely in the days when the people were mad for railroads. Nobody now knew when and where one might turn up. It had been acquired by Mr. Hill for the Manitoba, and included elevator and terminal facilities at West Superior, across the bay from Duluth, and really one with it in commercial importance and value. In 1886 contracts were let for the building of a dock and slip at West Superior, in connection with an elevator of 1,800,000 bushels capacity. From this grew up in later years the magnificent terminal facilities of the Great Northern at the head of the lakes which, for efficient operation, have no superior in the world. Then, in 1887, the Eastern Railway of Minnesota was organized, just as the other subsidiaries had been, to take over this property, and to build from Hinckley to a point near the mouth of the St. Louis River. The Manitoba had now its own direct connection, both from the principal cities of Minnesota and from its whole western territory, over its own lines, with the head of navigation on the Great Lakes. This Eastern Railway Company of Minnesota remained one of the most important subordinate agencies for helping along other projects. From time to time it acquired and held properties in the region at the head of the lakes that were profitable in themselves, or necessary to the future of the Manitoba Company, or both. In 1898 it issued $15,000,000

bonds to build to Fosston, making the direct northwestern line that was to serve the interests of the future Great Northern. By its own steamships, to be mentioned presently, the Manitoba could carry its own freight as far as Buffalo and benefit by competitive rates to tidewater. It was no longer at anybody's mercy. The following record of this last transaction, of the utmost importance as adding virtually the lake waterway and the Erie Canal to the facilities of the Great Northern, is from the annual report of the St. Paul, Minneapolis & Manitoba for 1888:

"There was organized last year the Eastern Railway Company of Minnesota, which, in January last, absorbed by consolidation all the property and capital stock of the Lake Superior and Southwestern Railway Company, of Wisconsin, till then owned by this company. The Eastern has constructed and put in operation a line of railway from Hinckley, Minnesota, to West Superior, Wisconsin, 69 miles, with steel rails weighing 75 pounds per yard. Its terminals in West Superior cover 275 acres of land, with nearly 1,500 feet frontage on the dock line, and running two and a half miles back. It has one filled dock, averaging 1,800 feet long and 265 feet wide; also a pile dock 96 feet wide by 1,500 feet long, on which are four warehouses, each 48 feet wide and aggregating a quarter of a mile in length. The Eastern owns the Great Northern elevator, so-called,

with capacity for 1,800,000 bushels of grain, and is completing a second elevator with capacity for 1,500,000 bushels. This company owns the capital stock of the Eastern company."

The failure of Mr. Hill's rivals and competitors, even the ablest, through all these years to appreciate his plans and measure his capacity proved and paid tribute to his greatness. It was excusable to mistake him, when he first appeared in chase of the St. Paul & Pacific, for one of those adventurers common in the railroad schemes of the time. It would scarcely be reasonable to blame others for not gauging accurately qualities which had not yet fully revealed themselves. But those who had run up against him in business should have learned something about him by this time. Ten years had passed since the purchase from the Dutch Committee. Events whose relation still has power to stir the blood had happened in the meantime. Yet most of his contemporaries, even those whose interest it was to form keen and accurate judgments, buzzed about his plans like flies trying to get through a window pane. They had said that the St. Paul & Pacific was worthless; and saw it develop into a paying property with a credit basis sufficient for any expansion desired. They had said that Mr. Hill was building through a country fit for nothing but the Indian; and saw immigration pouring into it and wealth increasing there as if by magic. They had said that the Pacific extension of the line was an impossible

dream; and saw it about to be realized. They had said there was little to fear from a line ending at St. Paul and Minneapolis. This was, indeed, for a time, the worst bugbear in the popular imagination. Chicago was more than four hundred miles distant; while two systems operating in western territory, the Chicago & Northwestern and the Chicago, Milwaukee & St. Paul, had their own through lines to that city. Lake Superior was a long way off; and, when one got there, he must take his chances with a water connection inadequate at the time to handle the business. In fact, the other people whose interests were threatened by the growing power of the Manitoba thought they had it bottled up. They smiled blandly and slept well.

Mr. Hill had made his plans for eastern connections just as carefully as for a western extension. He did not intend to take such terms as his rivals might graciously concede to him for the carriage of business between St. Paul and Chicago, or to be at the mercy of the trunk lines between Chicago and New York. He had been busy in the whole eastern field. In 1886 three trunk lines were completed between Chicago and St. Paul. Capital had awakened to the magnitude of the business of the Northwest. These railroads must, of course, reach Minneapolis also; and the splendid track and stone bridge of the Manitoba gave them opportunity. A year later, so great had the pressure become upon its interurban facilities,

four tracks took the place of two. But the interesting thing now is that one of these new lines running up from Chicago, quietly encouraged by Mr. Hill, was the Chicago, Burlington & Northern, operating as a part of the Chicago, Burlington & Quincy system. That system, already the most powerful in the Middle West, deemed it wise to be ready to receive business at the Minnesota transfer point, lest the amount turned over to it when the stuff reached Chicago might become negligible. It was an enterprise undertaken to a large extent under the advice and with the friendly interest of Mr. Hill. There was an understanding between him and the Burlington management. He would at least give this line a helping hand as to merchandise billed through to Chicago and the interior West over the Manitoba from far western shipping points, and not ordered forwarded by any special route beyond St. Paul. The Burlington & Northern made an agreement officially with the Manitoba for the use not only of its tracks to Minneapolis, but of its railroad yards also. It was an alliance practically equal to an extension of the Manitoba from St. Paul to Chicago, since one good turn would deserve another. But the man who should have said then that the new and small system would one day absorb the big one, among the oldest, solidest, and most profitable railroad companies in the United States, would have been thought mad. If Mr. Hill, even then, had any vision of that far future, he gave no hint of it.

This settled the question of an outlet to Chicago. The building of the line from St. Cloud to Hinckley and the organization and construction of the Eastern Railway of Minnesota admitted the Manitoba, with ample water frontage and fine shipping facilities, to the head of the lakes. Even the Northern Pacific, so much earlier on the ground, was never able to equal the Manitoba's terminals there. In 1888 the company owned at West Superior a grain elevator of 2,000,000 bushels capacity, a dock, a railroad yard, and 400 acres of land suitable for yard and dock purposes. The lake and rail line was established, but Mr. Hill did not stop at that. Already combinations were in existence which put the shipper and the farmer much at the mercy of the Chicago trunk lines. They bought up vessels and controlled rates; and as the shipping on the lakes at this time was unable to handle increased tonnage, terminal facilities might come to be worth as little to a railroad as a permit to a locomotive to go in swimming. The reader must anticipate a little to understand how all of Mr. Hill's plans and activities dovetailed into one another. While he was stealing a march on his competitors in Montana, he was doing the same thing between St. Paul and Chicago, and between the head of the lakes and the Atlantic Ocean. He had studied water-borne traffic as carefully as he had land transportation. He looked at them both from the same angle of vision—cost of operation. Just as he saw that high grades

and sharp curves must be avoided, so he saw the waste in small ships, filling their peddlers' packs with grain at Duluth and Superior, taking almost as large a crew to handle them as would boats several times their size, wasting fuel, wasting time, wasting everything. He prepared to run his own steamships on the Great Lakes; and by 1889, when his railroad was completed to the terminals and docks there, the ships were ready for them.

The Northern Steamship Company was formed, in June, 1888, as an adjunct of the railroad company. Its boats, which began to run in 1888 and 1889, established a new standard of size and efficiency in lake transportation. The Manitoba Company assigned to it its interest in six steam freight vessels for which it had contracted. The latest improvements were adopted in machinery for loading and unloading. New records were made in the dispatch of grain and flour from the head of the lakes to Buffalo and other lake ports. Mr. Hill himself has described, in his "Highways of Progress," the revolution wrought in lake traffic: "A vessel that carries only 1,000 tons cannot compete with a box car. With a steamer carrying 10,000 tons you have it beaten. This is the key to the only growth that has taken place in our interior commerce. Twenty years ago the largest carriers on the lakes that could pass through the old 'Soo' canal, with its fourteen-foot locks, were of about 3,000 tons. The canal was deep-

ened to twenty-one feet, and now an ordinary load is from 10,000 to 12,000 tons. This explains the wonderful growth of lake commerce referred to. The difference in cost between the operation of a boat of 3,000 and one of 12,000 tons is only so much as will cover the employment of two extra firemen, two more deck hands, and the purchase of about ten tons of coal additional per day; in all, some $28. At this slight extra expense the carrying power is quadrupled. Hence the phenomenal expansion of lake commerce within the last twenty years, while this change in its carrying machinery took place." That theory he put in practice in the boats that he caused to be constructed for business on the lakes. The Northern Steamship Company's six steamships were 310 feet long, 40 feet beam, 26 feet depth. In 1888 they carried 939,162 bushels of wheat, and 1,214,519 in 1890. Channels were improved, ships were enlarged, and the tonnage grew until Duluth-Superior became one of the world's great shipping points. So it came about that, after twenty years, Duluth and Superior were able to handle in seven and a half months of open navigation more business than any other port in the world handled in twelve, and to do it more satisfactorily.

The railroad became independent of other carriers on the lakes. When they tried to head off this dangerous adversary by pooling the Buffalo wheat elevators and raising charges so as to grab the profit away

from railroad and farmer alike, Mr. Hill put his mind on the job, invented a new steel elevator which was a marvel of cheapness and efficiency in operation, built one at Buffalo just to show what he could do, gave warning that he would have fair treatment or build enough elevators to handle the whole wheat transfer business at that point, and remained master of the situation. From that time there was never a question of the ability of the railroad to get its consignments to markets outside of its own territory quickly and cheaply; or of the protection of its patrons against being gouged by connecting lines or deprived of the advantage of local rate reductions. Mr. Hill, like a feudal chief, had not only made his railroad respected and feared everywhere, but he had insured against injustice or punishment those who wished to have friendly business relations with it. When his line should actually reach the Pacific Ocean, it would have an unobstructed way behind it through to the Atlantic. Low mountain grades at one end would be complemented by swift and cheap water carriers at the other. Something more had been done than to build a new transcontinental railroad. A new system of transportation, based on new methods, dominated by new ideas, had been created. However significant in this may have been the work of individual genius, it should not blind the student of human progress to the more important constructive result of that work for a nation

and an era. The model here set up was copied later in all parts of the world. From the operating department presided over by Mr. Hill, and the school of practical railroading that he may be said to have founded, spread, as from a centre of influence and force, many of the methods widely known in the business world under the general name of "efficiency."

Without some chronological notice of interests and activities outside the main business functioning of a life, a biography is no more a record of personality than is a library catalogue or a list of the world's great battles. Many other things were happening at this time to and within Mr. Hill. Among other matters, he had developed a strong interest in politics. As a young man, as already told, he had a taste for it. Even before he controlled an inch of railroad, it had become necessary for him to dip into political struggles, to save something for the road he hoped to own. Every step since then had been a fight against hostile corporate or private interests in state or territorial legislatures, and at Washington, to procure, not the subsidies which he always scorned, but the right to go ahead. One of his bitterest contests, one that threatened for a time to hold up indefinitely his transcontinental line, was to secure permission to cross that Indian reservation in Montana. There was not one reason against it, except that a refusal would help his railroad competitors. It was inevitable that such a man, so placed, should become a personage to be reckoned with in

political contests. Naturally, he was tremendously an individualist. All his thinking put him in sympathy with the political ideas then more nearly represented by the Democratic party than by any other. He would have laughed, as he did many a time, at the suggestion of taking office; but he was consulted by the highest authorities, he helped liberally in every campaign, and more than once he felt that vital national interests were involved in the success of his party.

In the summer of 1884 Mr. Hill had been sizing up the situation in his part of the country. He had written earlier in the year to a political friend, "Most of the Dakota crowd are after the loaves and fishes, regardless of sentiment; but if we are going to get the Territory into the Democratic column, it will be by having good men in responsible places, and none others." That was and remained in a nutshell his creed as to office-holding. He was by this time not merely influential in the Northwest but, because of that and of his political sagacity, was consulted eagerly and with not a little deference in the East. The time was critical. Mr. Blaine was to be the candidate of a party that his nomination divided between wild enthusiasm and stern disapproval; and no one could tell how far the disaffection might go. It behooved the Democrats to go softly. Mr. Cleveland's name was in the air. Nobody knew very much about him except that he was reputed to be honest and that Tammany Hall had all its knives out against him.

Up in the Northwest there was plenty of friendly feeling for John Kelly, then the Tammany boss and a power in the convention. It was being used to organize that section for the candidate, whoever he might be, to whom Mr. Kelly should toss the handkerchief. But Mr. Hill was far from satisfied. He went to New York and talked with Mr. Tilden, whom he knew well. They had great esteem for each other, and the Sage of Grammercy Park stood then to his party for what the Sage of Monticello had stood in an earlier day.

"What about this man Cleveland?" was the question Mr. Hill had to ask.

"He is all right," said Mr. Tilden. "He is absolutely honest, is not afraid of anything."

"But has he backbone?"

"Backbone! He has so much that it makes his stomach stick out in front."

Mr. Hill's doubts were resolved, he hurried away to talk with Henry C. Whitney and Dan Manning, the Democratic giants of those days, assured them that the Northwest would come into line, and then telegraphed his friends in the Northwest to get busy for Cleveland. His support contributed no little to that nomination and election; and Mr. Hill and Mr. Cleveland later became close personal friends. To the end of Mr. Hill's life there was no name that had greater power to stir a memory of interest and admiration; no man out of all his wide circle of acquaintanceship to whom he gave

more unqualified and whole-hearted praise. He was a political adviser worth having. After Mr. Cleveland's election the patronage of the Northwest was turned over substantially to two men in St. Paul who were staunch Democrats and good friends of Mr. Hill. One of them was the man who, ten years earlier, when Mr. Hill's railroad scheme was almost a jest, on being asked how he was one morning, answered: "I had no sleep last night at all. That Hill talked railways at me all night." He did not mince matters with them. Here is what he wrote to one of them in 1885. This was no interview, not for publication in any way, but private advice which had to be sincere because, under the circumstances, Mr. Hill could be quite sure that it would be followed: "I find any number of men going to Washington from Dakota with long petitions for places. Most of them are purely on the hunt for office. I think the only way to avoid mistakes and to finally control the political majority will be through the appointment of good and reliable men. I have been overrun with petitions, but have refused to sign for the simple reason that up to this time not one of the parties should have the support of any honest man."

There are continual flashes through these years of illuminating ideas about the railroad and its conduct. A first principle of Mr. Hill had been to keep out of the stock market. He let others do the speculating, and was content that his interest in the property should

take care of itself. But as knowledge of this attitude leaked out, it encouraged some of the free lances. The Manitoba Company was like an unwalled city in the Middle Ages. Speculators began to look at it and at one another and say, with the gray wolf, "good hunting." By the middle of 1887 it had 581 stockholders. In the fall there was a depressed market for all securities, and severe attacks were made on the stock. Then Mr. Hill receded from his first position enough to say to Mr. Kennedy, "While we have both always considered it was not our duty to keep the price of the stock in the market at or near any particular figure, I feel that the stock is worth more money, and that if we can stop the raiders from selling down so low as to make some of the more recent purchasers afraid to hold it, the effort will be worth making." This continued to be the policy, enforced by a few painful lessons to those who thought Manitoba a good stock to play ball with. In time of panic as well as in the flush of prosperity, quotations of this security always seemed to have written after them in invisible ink the familiar legend, "*cave canem.*"

Two letters of Mr. Hill in this period express in his emphatic way his idea of the sort of responsibility a man assumes when he sits on a board of directors. Many years later, when the country was convulsed with corporate scandals of which the directors of the guilty companies professed ignorance, one might look

back through the medium of these letters to the solid principles which were as great constructive forces in this man's life as his daring imagination and his ceaseless activity. Mr. Kennedy had suggested the name of a prominent New Yorker as one that would be valuable to add to the list of directors of the Manitoba. Mr. Hill took the matter up with Mr. Stephen in this emphatic way: "I told Mr. Kennedy plainly that unless Mr.—— would agree to spend two weeks at least in every year on the property and would undertake to know its wants I would vote against him; and, further, that I would not again vote for any one as director who did not once a year examine the property and its affairs so that his opinion would be of some value in its counsels. This may seem almost unreasonable, but I know that our greatest weakness has been a want of knowledge on the part of the Board of the property in its relative position to other lines and the reasons that should guide its business policy. I am, as you know, not ambitious, and I assure you that unless the stockholders elect directors who will give the company's affairs time enough to understand them, they must get some one else to take the responsibility besides me." This from the man who passed for and, in many ways, was the greatest railroad autocrat of his time. But it was dictated by a sense of what the stockholders had a right to expect, it was a point of honour, and he held to it firmly.

From another angle one can see that the business conscience of the man as to a director's duties did not change when he himself was acting as director instead of president. To a high official of the St. Paul & Duluth Railroad, which was proposing to do a little "high financing" for the benefit of the several systems interested, Mr. Hill sent, in 1886, this vigorous reply: "A sound, careful business policy has brought the road out of its difficulties to a position where it has made some money for its stockholders, and if this policy is continued the time does not seem to be far distant when it will be able to pay a dividend to both common and preferred; but if a majority of the stockholders, who are the real parties in interest, owning the property, desire to get something for nothing, there is nothing to compel me to sit on their Board of Directors and I will certainly refuse to have any further connection with any plan looking to the injection of more fictitious capital into a company that already has $20,000 a mile more than it ought to have." The significance of these expressions of opinion is that they reflect the mind of a man in a position to make them good; who is speaking in the utmost confidence and without an idea that his words will ever be given to the public. These two conditions guarantee his sincerity. He set his face like flint against any attempt to make private profit from the railroad in any way. A contractor on one of the new lines sent him, as if it were a matter of course, a de-

scription of the pieces of ground that would be platted at several of the new stations, so that they might all get in on the ground floor. Mr. Hill sternly set him right by telling him that all profits belonged to the company, and that "nothing can be owned by any one separate from all the others in the proportion of their respective shares." On the other hand, when he learned that a new line would run through the little farm owned by the son of a good old friend who had fallen on evil days in his decline of life, orders were given to put the station and townsite on that particular piece of ground.

In connection with his interest in agriculture, his great passion next after railroading, he gave the first impulse to a system of drainage in the Northwest that has added millions of acres of the most productive land to its tilled area. The Red River Valley is a well-watered land, with almost imperceptible slope toward the watercourse. A slight excess of rainfall may drown out a crop. Around and between the ten thousand lakes that the state contains are millions of acres of swamp lands, as rich as any in the world, when the surplus water can be removed. In 1879-80 Mr. Hill had forty miles of ditches at work in the valley. In his "Highways of Progress" he tells his part in the drainage movement: "More than twenty years ago the St. Paul, Minneapolis & Manitoba Railroad Company, of which the Great Northern is the successor, took up and urged the work of drainage in the North-

west, and bore a large part of the expense as well. In 1886 a drainage convention was called to meet at Crookston, Minnesota, in the interest of the Red River Valley lands. The railroad proposed to pay half the cost of a survey of the valley if the counties interested would pay the rest, so that there might be definite information to go upon. The plan was agreed to; and when the convention met in December of that year, the engineer employed by the railroad company made his report, and the counties affected asked the legislature for permission to issue bonds for drainage purposes. The 250,000 acres of land originally granted by Congress for this purpose had been diverted to other uses. At first the legislature refused; but seven years later the state made an appropriation, and the railroad gave $25,000 to aid the work. One of the conditions of this subscription was that the chief engineer of the railroad company should be a member of the Drainage Commission until the work should be fairly started. By this means the cost of the work was held down to from 10 to 12 cents per cubic yard, which is lower than the work solely under government charge is usually done. This was the beginning of state drainage in Minnesota."

A summary of such intense and varied activities cannot close better than with what time seemed to turn into a pleasantry, although it originated in perfect good faith. One of Mr. Hill's youthful notions, as stated,

had been that he would work until he had amassed $100,000 and then quit; that sum being enough to provide for the necessities of any man, and life having other things to offer. When that modest fortune had accumulated, his tremendous activity had been coupled so closely to the life about him that they could not be disengaged. The money, which was to him a mere by-product of the work, was really indifferent to him except as it was a power contributing to the further perfecting of the great enterprises that he had in mind. So he dropped out that item of his early scheme of life. Another entry in it had been the resolution to lay aside the heavy burden of business before it was too late, and devote the afternoon of life to other things. As if it were a matter as well settled as the operation of the railroad, Mr. Kennedy wrote to him in 1887: "I know your views about yourself, that you are determined not to continue in your present position after you have attained your fiftieth year, and I think you are right." That would have brought his retirement from the presidency in 1888, the following year. With his ideas not yet half realized, it was the wildest impossibility. Circumstances would not permit it. The man's nature would not permit it. Ever-expanding conceptions of his work pressed him relentlessly on. Twenty years longer he was to stand on the bridge. Twenty-five years later, though officially on the retired list, he was to be as active as ever in the practical affairs with which

his life was inextricably interwoven. Always he planned for leisure, recreation, travel, to an extent that the ardours of his undertaking had not permitted. Always these were postponed because some new idea that none other could shape so well to the framework of the time sprang up within him. Unprecedentedly successful in the undertakings of a life, he could not realize the simple content of that life as he had originally planned it. He would not have been happy, he could not have tolerated the life if he had done so. So much mightier is mere being than the mightiest.

## CHAPTER TWENTY

### THE GREAT NORTHERN

THE St. Paul, Minneapolis & Manitoba Railroad Company has fulfilled its destiny. It stands now, upon its peak in Darien, with developing territory behind it, a resource whose solidity increases with each year, waiting for the order that shall speed it to the long-sought western ocean. Two policies are possible. Each has obvious advantages. Mr. Hill and his associates have now to decide whether their system shall take the final plunge and emerge a full-fledged transcontinental, with all the labours and risks which this involves, or whether it shall, by purchase or some form of alliance, merge with one of the other systems already having access to the Pacific Coast. The decision is a momentous one. The absolute faith in Mr. Hill of those who have gone with him thus far without a single disappointment, and of the controllers of capital from whom the necessary support must be sought in either case, leaves the main responsibility on his shoulders.

Many things give him just confidence. The work done thus far has been well done. The machine is functioning perfectly. The completion of the Eastern

Minnesota and the establishment of a line of lake steamers have been mentioned. Already the new elevator at West Superior is handling as many cars daily as all the elevators on the Duluth side combined. The main line west, in spite of rapid construction, and the Minnesota and Dakota feeders are in good working condition. Every year small outside railroad properties in the Northwest have been purchased, where they were serviceable to the general plan; territory has been mapped out and studied as carefully as it would have been by a military chief of staff, and either immediately occupied or guarded watchfully against possible invasion. From the Great Lakes to Minot and as far south as the lower fringe of Dakota, the company has its territory and its business well in hand. The Montana Central, with its more than 200 miles of line, is finished. Nor did it end in a *cul-de-sac*. By the latter part of 1888 Mr. Hill could write to Mr. John M. Forbes, "We have just put on through passenger trains to Butte, and have arranged with the Union Pacific for direct connection, both freight and passenger, with their lines, by way of Ogden to San Francisco and by way of Pocatello and the Oregon Short Line to all points in Oregon." Whether it decide to remain in its watch tower for a time or to go on expanding, the Manitoba system is provided with satisfactory outlets from ocean to ocean; and from Buffalo to Butte it controls its own machinery of transportation.

The practical question now was, "buy or build?" The most independent course would be to finish the line to the coast under one ownership and control. Besides, no other line had been built or was likely to be built to suit Mr. Hill. He insisted, with a determination which it was not safe to disappoint, on honest and substantial work; low capitalization; contracts carrying no more than a fair margin of profit; and grades and curves lower than those of any other system, to assure economy in operation. They did not often build railroads in the West on such principles in those days. On the other hand, it had to be considered that the West was full of railroads bankrupt or about to go into the hands of receivers, whose troubles the public only dimly suspected as yet, but which were coyly looking for a place to unload. Purchase or consolidation on terms carrying with it full control would not only provide an outlet to the Pacific, but it would remove permanently the system bought from the list of future competitors. To buy might be easier than to build, in those trying financial times, and in the still more distressful days to come. Capitalists are more readily interested in a property already in place and with a going business than in one yet to be created. The joint security of two properties would generally be held better than that of either separately. So it is true that, while Mr. Hill's personal preference in favour of completing his own line to the coast, and thus carrying out

his own original idea in his own way, never varied; while, in fact, his decision was practically made at the back of his mind, he nevertheless did, during those years, endeavour to keep that mind open, and gave serious consideration to the several projects for consolidation or purchase that were presented to him. He also sought the counsel of those who had been and still were interested in the creation of a great railway system that should embody his central thought.

To begin with, both the idea of consolidation and the idea of a possible friendly understanding between rival railroads had made progress. Constant war between the railroads and the state legislatures for twenty years had led up to the passage by Congress in 1887 of the Interstate Commerce Law. It was suspected that, later on, it might be found to have real teeth. Everybody knows now that the law, one of whose professed objects was to prevent railway combinations, became an irresistible force driving them first into agreements on matters of common interest, and later into mixed ownership and control. The history of Pacific railroads displayed the constant drift toward combination. Mr. Villard's venture with Northern Pacific and Oregon & Transcontinental had, indeed, come to grief; but the time rather than the man or the principle was to blame. So while, on the one hand, Mr. Hill's agents, under his vigorous personal direction, were following every movement of the other transconti-

nental powers in Montana and elsewhere, and preparing a checkmate; while a sharp watch was kept on every system, no matter whether directed by friend or foe, in contiguous territory, there was nevertheless a disposition to get together in an effort for peace, however suspicious and precarious this might be, as preliminary to that common action which the wise already saw would soon be necessary against a common danger. *Harper's Weekly*, of December 27, 1890, contained the following then unique and important announcement: "On Dec. 15, 1890, the presidents of sixteen of the most important railways west of Chicago and St. Louis met by invitation of J. Pierpont Morgan at his private residence to endeavour to arrange a plan whereby departure from fixed rates to secure traffic by the agents of the respective companies would be prevented and the economical management of the properties otherwise furthered." Mr. Hill was present at that meeting, which hoisted one of the first distress signals of a troubled time. It ushered in the famous but disappointing era of the "gentlemen's agreement." If Mr. Hill ever believed in that policy as applied to the railway conditions and managements of the time, which may be doubted, he quickly determined to abandon an empty form. Writing to the president of the Burlington, less than eighteen months later, he said: "While our company never had much at stake in the Association, and only joined it for the sake of unanimity, reserving

to ourselves, in the resolution adopted by the Board, the sole right to control our rates, the action of the commissioners has been such that for some time my mind has been made up to withdraw from the Association and I think from all other Associations, during the next month, or when our line is completed."

Many of the people influential in the railways west of the Mississippi River made advances, tentative or earnest, to Mr. Hill for consolidation by purchase, lease, or some other form of control. While the cyclone which was to break in fury in 1893 was yet no more than a cloud on the horizon, the well-advised foresaw or feared its coming. The inside affairs of the large railroad concerns of the West, especially the transcontinentals, were well enough known to a good many people to create anxiety. It will be necessary to remember some things that happened in 1894 and 1895, when the wreckage of the panic was being cleared away, to understand the eagerness of those wise mariners who were intent on shortening sail or getting a tow into port several years earlier. Coming bankruptcies were casting their shadows before. By 1893 the Union Pacific, in spite of grants and guarantees of credit from the Government, was to pass into the hands of receivers. Mr. J. P. Davis, in a monograph written at the time, said of the Union Pacific what might, except as to money owed to the Government, have been applied to many a railroad enterprise in this territory where Mr.

Hill was interested: "The Union Pacific system, under foreclosure sale, could not be sold for enough to satisfy the debt to the Government and the first mortgage debt superior to it." And again: "While the Union Pacific system is an admirable property and fully capable of earning an ample return on an unwatered valuation, it will hardly be abler in the future than in the past to yield dividends and interest on watered stocks, bonds, and guaranteed obligations five times the actual value of its assets; it is now in the hands of receivers not because it is incapable of sustaining itself on its legitimate traffic, but because, like the great majority of American railways, it has been burdened with obligations in such outrageous excess of its earning power that it is unable to carry them in a season of general depression."

Combination with the Union Pacific would have given to Mr. Hill's line a permanent right to the western outlet that it now had only by virtue of a limited traffic agreement. It would have put the Northern Pacific between two fires. The matter was put straight up to him; and he also in fairness put it up to others. In a letter to a man powerful in New York financial circles, dated August 13, 1891, he said:

"I suppose you have heard the many stories afloat in connection with the Union Pacific and I thought I would post you as to what there is in it. Friends of the Union Pacific came to us last week and asked whether we would undertake to arrange the company's floating

debt. This debt, it is stated to us, amounts to $18,000,000, against which the company holds securities worth $39,000,000 at present nominal values. It was suggested to us that the company would be willing to pay a considerable commission if we would undertake the management of a syndicate in which all the holders of its floating debt were to be induced to join, but we declined, as we are unwilling to risk our reputation in so large a transaction of which the success will necessarily be, to say the least, doubtful.

"I doubt whether the company has thus far made any progress, but I believe that some kind of an arrangement to take care of the floating debt will finally be made, as the large holders of the debt must, for their own protection, make some sort of a combination to avoid a breakdown. It is claimed that the earnings of the company are now, and will continue to be, very large, and that except for its troublesome floating debt its condition is very satisfactory, its income being largely in excess of its fixed charges. Would it be of any advantage to you to get a controlling influence in the Union Pacific Company? For I believe it to be among the possibilities that you could, if you desired, gain control of the company. I believe the parties at present in control would be only too glad to join hands with any strong combination which will aid them to handle the floating debt, and if you think considerable advantage could be made to accrue to your company by

such a combination, we should feel induced, if you desired it, to consider with more favour than we do now the propositions which have been made to us by the friends of the Union Pacific Company."

A very proper, open, and temperate letter. But also as canny as could be written, although there was no intent to deceive. For when the person addressed came back with a request for Mr. Hill's personal opinion, he replied, just eight days later: "I think it doubtful if any one can get either honour or profit out of their (Union Pacific) affairs." The matter continued to be urged from one quarter or another, and the glittering advantage of so great a consolidation of interest to be dangled before his eyes. He gave it its quietus in another letter to Mr. Forbes, two years later: "Now as to the Union Pacific matter, I feel much less inclined to take any interest in it than when I saw you in Chicago. The Union Pacific country is so largely dependent upon the mining interest that at present I see no daylight for it anywhere. The repeal of the purchasing clause of the Sherman Law will only make the present condition of Union Pacific more permanent. Do not think of me entirely as seeing no good anywhere, but the fact is I think the best way is to save every dollar we can both from a railway, a national, and an individual standpoint. The country has had some very hard falls, and I think it will take some time to recover its usual activity, even should we feel at once

the great relief looked for from congressional action. The new agricultural portions of the West where the farms have not been long enough under cultivation to lose their fertility will, I think, be the first to recover, and the manufacturing, iron, coal, and coke the last."

The Northern Pacific was a scarcely more attractive proposition. It, too, went again to the wall in that year of fate, 1893. German investors were not quite so submissive to fate as American. They wanted somebody to "show them"; and two reports were made on the condition of this property. Mr. Hill was not ignorant of these documents; but years before he had known the facts they contain, and predicted the consequences. Mr. G. Siemens, in his report to the German stockholders, said that the acute financial depression and consequent reduced earnings of the system in 1893 had very little to do with the failure of the company. They gave the tree a shake; but the fruit which fell was already over-ripe. A lease of the Wisconsin Central property brought in a million dollars net loss each year. The Chicago & Northern Pacific property was causing an annual deficit of nearly the same amount. The whole structure was undermined and must collapse. About the same time Mr. T. Barth made another report on the causes of the failure of the Northern Pacific, and reached the same conclusion. This document has more interest here because it lists, among the reasons of

disaster, the bumping up of the management of the Northern Pacific against Mr. Hill:

> Regarding the rate war with the Great Northern, the character of the manager and principal party in interest of this road, Mr. James J. Hill, has to be rekoned with. People who know him thoroughly assert that it needs only an energetic decision to defeat him with his own weapons. The most important territory of the Great Northern is the wheat district of the Red River Valley, in which Hill is the successful competitor of the Northern Pacific. If the rate war could be carried to such a point that by a special reduction of freight rates in the Red River Valley the best business of the Great Northern would be threatened, peace could be quickly gained under a general restoration of freight rates. The very fact that the Great Northern traverses an immense territory—some 1,500 miles—which has so far hardly been taken hold of by settlers, makes this system especially vulnerable at those points from which it gains its actual vitality.
>
> At any event, it seems essential to work with greater energy than heretofore for a restoration of adequate freight rates, either through a more vigorous tariff war or through amicable agreement. The Great Northern has no favourable strategic position in this fight. A road which has suspended payment is a particularly dangerous enemy in a tariff war. The Canadian Pacific, The Union Pacific, and other great systems are, moreover, just as unfortunately impressed by Mr. Hill's mode of procedure as the Northern Pacific, and Mr. Hill therefore runs the risk of a general tariff war if he persists in his ruinous tariff policy. But Hill is described as a man who is too wise to be stubborn, as soon as he sees that people have made up their minds to fight him resolutely.

Mr. Barth also pointed out that the Northern Pacific had wasted its war resources by building or acquiring competitive branch lines in Montana and western Washington which could hurt nobody but their owner, because they must be run at a loss, while it had neg-

lected to cover the Red River Valley, where the Great Northern, "by a constant extension of its system, had clearly demonstrated how much was to be gained just in this rich wheat district." It is as impossible to fix responsibility for the breaking out of a railroad war as to decide who is the real aggressor in a war between nations. But this fracas and the comments of Mr. Barth bring out the two facts that most concerned the work and plans of Mr. Hill at this time: the effect upon a solvent line of general bankruptcy among its competitors; and the effect upon competition itself of his principle of keeping capitalization and cost of operation so low that whoever sought a fight would be ruined.

The report of the Interstate Commerce Commission for 1894 said: "Never in the history of transportation in the United States has such a large percentage of railway mileage been under the control of receiverships as on June 30, 1894. There were on that date 192 railways in the hands of receivers, of which 126 had been consigned to receiverships during the previous twelve months, and 35 during the year ending June 30, 1893. The mileage of line operated by these defaulting companies was 40,818 miles. The total capitalization of roads in the hands of receivers was about $2,500,000,000, that is to say, one fourth of the total railway capitalization of the country. This, as a record of insolvency, is without a parallel in the previous history of American railways, except it be in the period from 1838 to 1842."

The receiverships included one fourth of the total mileage as well as of the capitalization. Among the derelicts of this period were the American competitors of Mr. Hill's enterprise. Land grants, loans and pledges of credit, which he had neither received nor asked, could not save them from the penalties of over-capitalization and inefficient management. But a railroad at which you can snap your fingers while it is trying to remain solvent, becomes a floating mine as soon as a receivership has relieved it of the necessity of paying a profit, or even of meeting its running expenses. It has nothing more to lose. It can cut rates to the bone and right through it. On the other hand, there is a limit to the boldness of belligerent receivers and the patience of courts. Against everything but the competition of permanent bankrupts Mr. Hill had made himself secure.

Many people thought that ambition or vain glory, the unregulated eagerness of a man distinguished in his specialty, had made the project of a transcontinental line a mania with him. They still judged him as they did when he was talking "St. Paul & Pacific" to anybody who would listen. His plan, in fact, was the product of a logic as hard and cold as the steel of his railroad's track. He knew how much the other transcontinentals must pay out each year in fixed charges, and what it would cost them per ton per mile to haul freight over their grades and around their curves. He

proposed to build, and had built thus far across the continent, a railroad so modestly capitalized that its interest charge was greatly below that of any competitor; and with grades and curves so moderate that the cost of movement could always be less than theirs. In short, the new system was prepared, if need be, to take business at a rate below the actual cost for any of the other lines, and to make money while doing so. There is as much possibility of beating such an opponent as there is of winning a battle where the guns of the enemy can fire twice as often and at double the range of your own. There never was a time when the Great Northern could not have driven its adversaries from the field with this tremendous weapon if it had wished to. Its interest did not dictate such a policy; but it was not averse to a little rate controversy once in a while, just to give the adversary a taste of the gaff. Mr. Hill had made his calculations from the beginning, and felt his position to be impregnable. Here is his general order to his chief engineer in this summer of 1890: "We do not care enough for Rocky Mountain scenery to spend a large sum of money in developing it either on the Spokane or elsewhere. What we want is the best possible line, shortest distance, lowest grades, and least curvature that we can build between the points to be covered. This, of course, will need close examination on the part of your men; and I trust you will not limit the number of your parties to exhaust the

question fully, and obtain all the information that may be possible. It would be unfortunate to find out afterward—as so many companies have—that we have left the best places unoccupied on some part of our line."

It is safe to assert positively that there never was a time, from the day when the agreement for the purchase of the St. Paul & Pacific's defaulted bonds was signed with the Dutch Committee to the day of his death, when Mr. Hill seriously considered either a sale of his own property or the purchase of any other property as a substitute for the building of his own line through to the coast. To acquire control of one or more of these, however, not so much as a link or an outlet as a restraint on ruinous competition, might be a different matter. The era of combination and consolidation was already well advanced. The Sherman anti-trust law, forbidding combinations in restraint of trade, was passed in 1890. The combining process had already gone far enough to secure radical congressional action. True, as yet neither the courts nor public opinion applied that law to railroads, unless they were "parallel and competing." But Mr. Hill read the signs of the times. He was not ignorant of the scope and meaning of combination in the railroad world. If control of some other transcontinental could be obtained, without endangering his own, it would solve many problems. He had determined upon two things: to complete his line at any hazard; and to watch for a favourable oppor-

tunity to acquire influence in the counsels of a competitor, and increase that influence just so far as circumstances might show to be practicable and desirable. Undoubtedly his choice and his ultimate hope looked toward the Northern Pacific, his earliest and bitterest rival, the system with the largest total possibilities as an ally. But not in order to secure it outright would he jeopardize by ever so little the fortune or the future of the system that he himself had created. These policies illumine his course through the years down to 1895. In May, 1889, he wrote to Lord Mount Stephen, ever the recipient of his most intimate confidences, as follows:

"The Northern Pacific and the Oregon & Transcontinental have given me much concern, as through the latter the first can be controlled for a very little money comparatively. —— realizes the great value of our proposed new company of ultimate control of Northern Pacific, as the removal of building contests, rate wars, etc., would be very attractive to investors. . . . You may think I am going pretty fast in Northern Pacific matters, but I am *very sure* that if we get what we want there the results will be more than ever considered in another place. This cannot fail to be so, as the entire property controlled by the new company would have an earning capacity of about $3,000,000 a month. And this, with the advantage of removing all expensive rivalry and competition, would alone save

5 per cent., which is $1,000,000 per annum." A month later he wrote again:

"The more I think it over the more I am convinced that the thing for us to do is to 'take the bull by the horns' and get control of the Northern Pacific, and by one stroke settle all questions at once. This will cost less money and will bring the best results in the least time. Looking over the ground we find the Northern Pacific is the only interest of any magnitude in the entire territory we want to control. It is pursuing a very aggressive course almost regardless of permanent cost and business judgment, at the same time it is doing both the 'Manitoba' and the Canadian Pacific Railroad great damage and in such a way as to compel both to spend large sums of money to no good end. They are cutting rates in Manitoba to an extent that cannot fail to greatly reduce the revenues of all concerned from that province; and the facts as stated in your letter that their lines in Manitoba will not pay anything for six years (and I think it will be ten) is a permanent reason why they cannot hold to any agreement. A starving man will usually get bread if it is to be had, and a starving railway will not maintain rates. Whenever I take up this question, I want to go right at the work of getting control of that company, and when we look at both sides and the large sums at stake all around, on the one side, and at the strong, peaceful solution of the questions on the other, I am more anxious than ever

to carry out the plan." Ten days after this was written, the careful and perhaps less convinced Mount Stephen replied:

"I am not clear in my own mind as to our ability to capture the control of the Northern Pacific. That is, I do not see so clearly how it is to be done as I do our ability to build a new line of our own. Of that I have no doubt, and think I can see my way to finance an extension to the Coast on very economical terms so far as the finding of the money is concerned. It may be, when I see you, that the difficulties in the way of capturing the Northern Pacific may disappear. I am very much impressed by what you say as to the advantages of our getting to the Coast by a control of the Northern Pacific rather than by building a new line if it can be done. I have so much confidence in the soundness of your judgment in such matters that my inclination is always to accept your views, largely because they are your views. The advantages to the St. Paul, Minneapolis & Manitoba and to the Canadian Pacific Railroad as well, of our getting control of the Northern Pacific are very clear, and I think when you come down we must try to come to some definite conclusion as to the course to be pursued and follow it up vigorously. If we decide that a control of the Northern Pacific is out of reach, then I suppose we ought to go vigorously and promptly to work on a new line."

The difficulties in the way, and growing financial ap-

prehension and distress precluded the "vigorous" measures that had been debated. The plan must wait some years yet, and take a different form, before it could become substantial. But the inherent desirability of an influence, perhaps a decisive one, in the Northern Pacific was from this time a fixed postulate of the railroad situation in the Northwest. Next after the building of his own line through to the Pacific, it influenced most strangely Mr. Hill's thoughts and plans. What was the idea in his mind, in this time of anti-railroad agitation and disturbance of public thought, about the future of the railroad situation in general and the particular relation of his own system to that future readjustment? The first question he answered frankly in a letter of this period to a correspondent who asked his views. The same statement in substance was afterward incorporated in his testimony before committees appointed to investigate the general railroad problem:

"I do not think that the time has come, or that it ever will come, when a general trust can be formed to include the chief lines throughout the country. The grouping of interests, the advantages of each being determined by the same controlling influences, which will divide the country west of Chicago, between the Canadian border and the Gulf of Mexico, we will say for purposes of illustration, into three or four groups, might be brought about with excellent results. If something of this kind is not done, the natural theory of

the survival of the fittest must apply, and some such harmonizing of interests will be the result through the bankruptcy of the weaker lines and their final absorption by the stronger ones."

Did that mean uncontrolled monopoly and the death of competition? Not at all, to his mind. He carried the thought a little further in an article that he published about this time, and insisted upon it many times after: "There is, however, a competition between the railways which will continue to exist as long as the railways are run, and that is the competition of markets; the necessity of building up the various interests of the country served by the respective railway lines. In this the competition lies between the producer and the railway in one locality, acting together, against the producer and the railway in another locality, competing for the business." Finally, his conception of the value and limits of railway competition, matured and expressed in his forceful way, a conception which neither physical facts nor laws and courts have prevented from being actualized to a great extent, was stated fifteen years later before a committee of the United States Senate in these words:

"I am a firm believer in all natural laws where we have demonstrated that they are laws, and the law of the survival of the fittest is a natural law that we can safely adopt. I think I would let a railway company consider the investment; I would protect the property

as I would any other property, and I would hold them for their good behaviour, as I would everybody else. If the railway company can make the rate and can do it profitably, give them the opportunity to do it. Do not say, 'You must make good this man's mistakes.' If I build a factory to-day, or buy one that is out of date, with machinery twenty-five or thirty years old, and my neighbour comes in and builds a factory with modern machinery and he can produce the cloth for 10 or 15 per cent. less than I can produce it for, would I not look strange to go and ask him to divide his profit with me? This is what a great many railroads ask, and a great many people think it would be an advantage to the country to allow the railways to make pools. My theory is, hold them to a strict observance of the law and enforce it, and let them have room according to their heft. Let them have room to see what they can do; nothing else ever brought our rates down."

Mr. Hill lived according to his doctrine. He built his line exactly as he supposed a man to have come in and built a new factory. He believed that the survival of the fittest among railroads would be a good thing for the country as well as for the fittest railroad. He was never carried off his feet by any scheme for control just for the sake of control. He believed in the principle of a sectional aggregation, on the analogy of natural selection. He trusted to the merit of his system, as he was building and handling it, to maintain a

hegemony that financial control could scarcely strengthen and that the absence of it could scarcely impair. Behind it all there was less thirst for power than desire for that economical operation of the railroad, good for public and stockholder alike, which was with him not only a principle of management but almost a passion of duty.

Now that he was ready, regardless of what happened in Northern Pacific, to go ahead with his own work, he gave reasons for his confidence in it, in letters to two trusted friends. The extension to the Pacific Coast was under way, and he said to one of the men who remained a faithful helper for a lifetime: "I am more than ever impressed with the capacity of our property to give a good account of its future. After seeing the long stretch of entirely worthless country on the other Pacific roads and comparing their grades and necessary expenses with our own, I feel that we have so great an apparent advantage over all others that they are really not competitors." There had been, during these years, nibbles from the small fry as well as bites from the big fish. In 1892 Mr. Hill was canvassing with Mr. Perkins, then president of the Burlington, the value of the Oregon Railway & Navigation property. He said: "The lines are located in a good country, some of it rich, and producing a large tonnage; but the capitalization of the company is far ahead of what it should be for what there is to show, and the selection of the route and grades

is abominable. Practically it would have to be built over." When the wave of influence broke on a farther shore, he sent this brief answer to one of the influential personages of a financial publication in London, who had sounded him on another project: "Your letter in regard to the Grand Trunk matter duly received. It would be impossible for me to assume any responsibility or care beyond what I have at present. The successful management of all railway properties in this country depends almost entirely upon the supervision and I find the care of our own occupies all the time I have."

Enough of these solicitations and negotiations. Mostly originating outside of Mr. Hill, they were considered by him thoroughly, scientifically, and dispassionately, in order that no implication or reflection upon the future of his own project might escape him. That project itself now went forward rapidly. Preparations, as usual, had been thorough: "For more than three years, fifty engineers with an army of followers were engaged locating and surveying the route of the 888 miles: 480 of which is through heavy timber. Along no portion of the line was there anything approaching a wagon road, and for more than two hundred miles there was not even the semblance of a trail. In several stretches of the primeval forest the accumulation of fallen timber made travelling very difficult; five miles a day through some of this was all an energetic man could travel. The chief engineer's report

mentions the experience of one of his assistants who was instructed to make a reconnaissance near the summit of the Rockies over a distance of about thirty-five miles. Starting out with his blankets and six days' provisions on his back, he was yet four days without food when he reached a cabin on the other side. After regaining his strength he started back, and after almost unendurable hardships returned, being thirty days in making the round trip of seventy miles. All the supplies and requirements of the engineers had to be packed in, either by men or on horseback."

Helena and Butte and Great Falls were scarcely breathing places. Just as the Montana Central Company had been formed, to take the field in advance and skirmish with the enemy where the whole body, horse, foot, and dragoons, of the Manitoba organization would have been at a disadvantage, so the Seattle & Montana Company came into existence to open a way to the Pacific. By working through companies locally organized, terminals and traffic facilities for the new lines could be secured at a much lower price than if the parent company had gone into the market after them, with the necessary flourish of trumpets; and the true purpose would be concealed much longer from rivals, who could not be certain what was behind projects apparently of a purely local organization and interest. The Seattle & Montana Railway Company had been organized in 1889 under the laws of the state of Wash-

ington. Seattle was selected for the chief terminus on the Pacific Coast, and it was decided that a line skirting the shore from there north to the Frazer River should be built or acquired. The New Westminster Southern Railway Company was incorporated in April, 1887, to build from the international boundary to New Westminster. With the Fairhaven & Southern Railroad Company, this would cover the field, north and south. Control of both companies was secured. So, by purchase and construction, a through rail line about 150 miles long was built up, from Seattle to New Westminster, in British Columbia.

Construction began also on the heavy work which would penetrate the maze of lower ridges, and zigzag across the summit of the Cascade Mountains. Mr. Hill closed a deal with the Union Pacific in 1891 for a joint ownership of the line from Seattle to Portland, and paid a million dollars toward the uncompleted work which it would require four millions to finish. At this time "money talked," and he had the money; for the reason, among others, that he had built a commercially profitable machine. He wrote, in this connection: "I am more than ever convinced of the soundness of our policy of creating a good railroad with which to earn money, by developing in their best form all the local interests along our lines. To do this successfully we must be able to handle the natural products of the country at rates which will

enable those handling or manufacturing those products to do so at a profit. Our greatest profit will come in the enlargement of the business interests thereafter." This policy of "live and let live" he had pursued, it must be remembered, for nearly fifteen years now in all the country first covered: the immensely rich and productive area of northern Minnesota, the Red River Valley, the Dakotas. It had brought people there, built up business, induced all kinds of prosperity. It was paying dividends, creating a surplus, and laying the foundations of a credit never to be impaired.

Before the line to the coast was built, one important transformation must be effected. This was the perfecting of a general organization adequate to the demands of the future. The old St. Paul, Minneapolis & Manitoba Company had been a serviceable tool. It had done its work. But, as Mr. Hill put it, the company "had outgrown its clothes." The title itself, exactly fitting the original plan, was already a misnomer, and would be more so as applied to a transcontinental system. The original limitation of capital stock to $20,000,000 was a strait jacket for a system that must assimilate the capitalization of the many separate companies under which construction in the West had been carried forward. Mr. Hill desired to build new lines from stock proceeds rather than bond sales, giving him a clear property and a basis for future credit issues if that became desirable or necessary. He intended

that capital stock should mean actual money put into the property. The needs of the new day demanded an instrument more flexible and of wider reach. So the Great Northern Railway Company was organized in 1889. A meeting of the stockholders of the Minneapolis & St. Cloud Company, whose charter has been mentioned in the early part of this history as one favourable for an organization with liberal powers, changed its name, September 16, 1889, to the Great Northern Railway Company. On November 11, in the same year, the new company accepted the terms proposed by the Manitoba Company for the transfer of its property. The stock was made $40,000,000, half common and half preferred. The property of the Manitoba Company was leased for 999 years on an agreement to pay interest on all bonds outstanding and such as might be issued, 6 per cent. dividends on the old $20,000,000 capital stock, and taxes and assessments. At midnight, January 31, 1890, the Great Northern became the controlling power. Under this lease were transferred 2,770 miles of road, with all the appertaining properties incidental to operation. In the tale of American railroads of the time it would be hard to match this low capitalization per mile.

On June 9, 1890, the Great Northern "requested" the Manitoba to extend its lines westwardly from some suitable point in Montana to Puget Sound, and the request was formally approved by the latter two weeks

later. The financing of the enlarged enterprise and the market conditions under which it had to be done will be considered in the next chapter. The first annual report of the Great Northern, for the five months ending June 30, 1890, showed net earnings of more than a million and a half. Two extracts from that report set out vividly the business policy of the management, and the operating ideas on which it was based:

> When the Pacific extension has been completed, your company will have a continuous rail line from Lake Superior, St. Paul, and Minneapolis to the Pacific Coast, shorter than any existing transcontinental railway and with lower grades and less curvatures. Its cost and capitalization will also be much less than those of any other line to the Coast. It is expected that, with the foregoing favourable conditions, the heavier products of the Pacific Coast region, which up to this time could seek markets only by ocean routes, can be moved eastward to the older sections of the country.
>
> The policy of improving the property, which has given such good results in the past, is still being followed. The steel rails of 56 pounds section, originally laid on the line between St. Cloud and Hinckley, although comparatively little worn, are being replaced by rails of 75 pounds section, of uniform pattern with the rails of like weight already down upon other portions of your railways. With the completion of these replacements, the 75-pound rail will be continuous from Barnesville to Lake Superior, as well as to St. Paul, permitting the use of locomotive engines of maximum weight and power without excessive track wear.

Active work on the Pacific extension commenced in August, 1890, and went ahead without intermission. The decision once definitely announced, the track was pushed forward with as much energy, though of course not with the same breathless speed, through the passes

and over the crests of the mountains as it had been across the prairies. The digging of the tunnel, more than two and a half miles long, under the Cascades, was not to be completed until ten years later. Logically, a word about this great engineering enterprise belongs here; chronologically, too, in a sense, for the original preliminary surveys were made in 1892. Actual excavation for the tunnel commenced in September, 1897, and the two headings met in September, 1900. By December 20 of that year the track was laid and the tunnel was opened for operation. Its total length, 13,813 feet, makes it rank with the famous constructions of its kind in the world. The work was carried through by the railway company, without any contractor, and when the headings met the error in alignment and in grade was found to be one quarter of an inch each. It cost $2,532,118. So another "folly" justified itself. For the present the heights were scaled by a switchback. For twenty-eight months, excepting three months of heavy snowfall in the mountains, track-laying proceeded uninterruptedly. Considering the nature of the country traversed, the construction record is scarcely less remarkable than that in the flight across the plains. One hundred miles were built in 1890; 162 in 1891; and 554 in 1892. The last rail of the 834-mile stretch, from Pacific Junction, four miles west of Havre, once Fort Assiniboine, in Montana, to Everett on Puget Sound in Washington, was in place January 5, 1893.

While these things were being done in the West, the East was not neglected. There, too, the territory both to the north and to the south of the main transcontinental belt was watched carefully, and occupied as fast as circumstances seemed to permit or require. The old main line west from Lake Superior curved away south to St. Cloud and back again, in the arc of an enormous circle, to the crossing of the Red River at Grand Forks. Some day a line would be built on the chord of that arc, and save a long haul between the Red River and Duluth. Mr. Hill had kept his eye upon this from the first. He built one link of this direct line as early as 1888, and allowed the remainder to wait until more pressing claims were disposed of. In 1892 he saw his opportunity, and wrote to a confidential friend in New York: "You will remember the Duluth & Winnipeg scheme, to build from Duluth to Grand Forks by way of the north shore of Leech Lake. This line would be about 110 miles shorter than our line via St. Cloud and Hinckley, and would give us a great deal of trouble by reducing rates as well as dividing the business. They have built about 95 miles to Leech Lake and have another line about 65 miles built to the Misaba iron mines, where the iron ore can be put on the cars for 25 cents per ton without any more mining than is done with a steam shovel to load it. I have carefully watched this enterprise with the intention of getting hold of it for our company, and now think we will

succeed in getting control of it through its floating debt. They have put $1,000,000 into the stock, have sold $800,000 bonds and have borrowed another $1,000,000 on the security of its bonds. The annual election comes on the fifth of October, when my friends will, I think, be elected into a majority of the board and the president, secretary, and treasurer will be of our naming. We will furnish them the money to take up the loans on the bonds as they mature, and with this and several other matters I hope to get control of the property, and unless the stockholders put up the money, which they either cannot or will not do, as they are quarrelling among themselves, we should be in control by July or August next, and finally get a property for about $2,000,000 which is practically as much as the Duluth & Iron Range and the Minnesota Iron Company together, and which is capitalized, I think, at about $18,000,000." The Duluth & Winnipeg had built to Deer River. Anticipating a few years, to complete the tale of construction and control in this section, the Duluth, Superior & Western Company was incorporated in September, 1896, to take over the property and franchises of the Duluth & Winnipeg; and this, in turn, was sold to the Eastern Minnesota in 1898. The building of the track to Fosston completed the short through line from the head of the lakes to the Red River Valley and the West. Some other companies in northern Minnesota were annexed in 1899, giving the Great Northern ample

means of access to all the famous iron-producing region. The acquisition and development of ore lands there, and the disposition of them, will receive elsewhere the separate treatment that the subject demands.

To the south events went much the same way. In 1888, locally organized companies constructed lines from connections with the Manitoba system to Sioux Falls, South Dakota, and afterward extended them to Yankton. Parties independent of them had begun, in 1888 also, to build a road northward from Sioux City, Iowa. Five years later this latter was ready to be gathered in, as Mr. Hill explained to Sir Donald Smith in 1893. "Our business over the line from Willmar southwest to Sioux Falls and Sioux City is showing a large and steady increase. Our company owns one quarter of the stock of the Sioux City & Northern and Sioux City terminal companies—the latter company owning the largest, most convenient, and in every way decidedly the best terminals in Sioux City. Our company holds one third of a loan of $1,500,000 to Sioux City parties, secured by the stock of the Sioux City and Northern and Terminal Companies, amounting to $2,400,000, which cost $1,440,000; also $2,340,000 of the first mortgage bonds on 130 miles of railroad in Nebraska. We do not desire nor expect to cross the Missouri River into Nebraska; but in adjusting the loan, which I think will not be paid at maturity, we will secure the stock in both companies, certainly without further investment

on our part, and we may be able to do better than this. Reference to the map will show you that the possession of this line will give us the shortest and practically the only direct line from the large pine forests of Minnesota —the largest left standing east of the Rocky Mountains —to a connection with all the east and west lines crossing southern Minnesota and northern Iowa, and direct connection with the Nebraska, Kansas, and Southwestern lines at Sioux City." On the south as well as on the north, the eastern territory of the Great Northern was guarded. Nor is it unreasonable to believe that, in providing so amply for connections and outlets on the southwest, Mr. Hill had already in mind the possible consolidation with one of the great railroad systems of that section, which he carried through years later by the purchase of the Burlington.

For most men the completion of the transcontinental system would have signified the satisfaction of ambition and the resting-place of effort. It only finished one more stage of the victor's progress. This story may well pause here for a moment on a true incident so characteristic of Mr. Hill, of his antipathy to ostentation, his real solicitude for the public interest, his regard for the people of St. Paul, who were his townspeople, that it is worth a volume of psychological analysis. These St. Paul people were now fully alive to the quality of the man who had moved among them for so many years, and whose visions they had once regarded with a species of

amused tolerance as the eccentricities or extravagances of a dreamer. In the midst of financial calamity that shook the country like an earthquake, they saw him return, strong and conquering, from the adventure on which he had set forth so daringly fifteen years before. They prepared to do him worthy honour. The town must hold high holiday, arches span the streets, processions grace the day, and a civic banquet crown all, at which he should be the guest of honour and receive the tributes that were his due from men eminent in all walks of life. In order to consult his wishes and conform to his convenience, it was necessary to advise him of what was on foot and agree upon times and seasons.

Mr. Hill listened to the committee, and when he came to answer their questions said: "Gentlemen, I am not insensible to the honour you propose. I appreciate it and am deeply grateful to you for the good will by which it is inspired. But it will take a good deal of money to pay for these things, will it not?" The committee hastened to say that the sum, some $50,000, a very considerable one at that time, had been easily obtained and willingly subscribed. "Then," said Mr. Hill, "let me take the will for the deed. St. Paul needs a public library building, and the city does not feel that it can afford to provide one. If you will appropriate this sum to that purpose, instead of the celebration, and call that off, or if you can double it, I will add twice as much more, and a good library build-

ing can be put up at once. I shall be just as sensible of your kindness, and the people will be richer instead of poorer for it." His proposal was not accepted. St. Paul made merry and paid its tribute, and deserves praise for that. Mr. Hill was really disappointed at the rejection of his plan for one that, as he said, "did nobody any good," when it might have been made of such great advantage to the city. However, he bore his honours modestly, with a little of that shrinking which he never outwore when his personal qualities or performances were touched upon in his presence. In this protest and this proposition were expressed a side of the man as genuine and as characteristic as that other side which expected and required prosecution of his railroad's work under all difficulties, and the system of iron efficiency under which it was operated from the time that a train bent on the world's business first rolled over its track.

## CHAPTER TWENTY-ONE

### CAPITAL AND CHEAP MONEY

FROM the panic of 1873 was born the opportunity to get control of the St. Paul & Pacific. Another and more dangerous disturbance was approaching at the moment when the order was given to build through to the coast. Every man of intelligence and foresight knew that it could not be averted. Upon the measures to which it might give birth in an impassioned and financially uninstructed democracy would depend whether the large interests of the country should weather the storm or go down before it. This derangement of the money market, this enormous contraction of credit, was not local or national; it was world-wide. Not since the days of John Law had the world received such a shock as the collapse of Baring Brothers gave it in 1890. These were the great international bankers. If money intrusted to them was not safe, what other custodian could coax a dollar from cautious investors? This was the worst possible time for financing a new undertaking, calling for the investment of many millions, in a quarter where railroad enterprises were already tumbling over one another to ruin at the mere touch of a breath of the advancing storm.

Fortunately, Mr. Hill was a few jumps ahead of the cyclone. When his most important arrangements were made it was muttering, but had not yet caught things in its deadly core. Fortunately, too, both he and his enterprise were now well known to every large holder or investor of capital in Europe and America. He had gained the reputation of a bold and able man, who set money to make more money, and would have nothing to do with merely speculative enterprises. His property was earning profits for all interested in it, and promised to earn more. By this time, too, his associates had risen to greater influence. Sir George Stephen, in particular, could command large amounts of cash and credit. Mr. Hill was no longer the mad adventurer, looking for someone to grubstake him. He was a notable figure, with the halo of a great success about him. He had done for all investors who trusted him more than he had promised. They were ready to trust him again.

The Manitoba's stock and bonds had become a well-known and favourite investment among careful people. It had secured a financial foothold in the territory from which every large undertaking of the time sought support—the thrifty "Down East." In 1887, people in Boston and other parts of New England held between five and six millions of the company's stock, and had reason to feel pleased with their investment. Mr. Hill had followed consistently the policy which was with him both a

matter of business pride and a point of personal honour. He handled the operations in which he was engaged for the benefit of his stockholders, and never for private advantage any further than as a pro-rata sharer with others in the profits. He declared that he would be sufficiently remunerated by the growth in value of his interest in the property for the labour of directing it. That particular kind of confidence breeds confidence in others. He had unequalled opportunities now—with everything, construction, financing, operation, in his hands—to take millions of profits. What he did was the sort of thing that made it easy for him to raise more money when he needed it. He handled these different parts of his undertaking just as he did later the immensely valuable ore properties in northern Minnesota. He turned them all over, when he had brought them where they would realize their highest value, to the stockholders of the railroad. His policy is crystallized in a single sentence from a letter written later to Lord Mount Stephen: "My own present idea is that the property doing so well under the conditions of an unsettled new country, not made productive to one tenth of its capacity, has a large margin in the future; and that we will get the best results by developing and creating a capacity to earn net money for our shareholders and capitalizing as we find our margins fully realized."

There was opportunity, in turning over the Montana Central, to squeeze out a large profit or commission;

a business transaction universally approved by firms of the highest integrity then. What Mr. Hill proposed, and what he scrupulously carried out, was stated in a letter of July 23, 1887, to Lee, Higginson & Co., of Boston: "I hope to be able to settle with all subscribers for $3,000,000 of the Montana Central bonds, in which case I will turn over my contract with the Montana Central, or rather will close it up for the Manitoba account, paying the balance necessary to finish the road, which will be from $2,000,000 to $2,250,000. . . . This, you see, will give the Manitoba the property, or at least the ownership of it. The stock will, I think, pay a dividend from the start, and is certainly worth $3,000,000. You can assure all your Manitoba stockholding friends that their interests are being fully and faithfully looked after. In fact, the Montana Central subscribers are, on my personal request, giving up a piece of property that would be of great value under any and all circumstances." No one familiar with the usual history of enterprises subsidiary to the development of large railroad systems in this country will be surprised that a man who treated his investors in this spirit was able to obtain what money he needed, whenever he had need of it, in any of the world's financial centres; and to raise it in times when other borrowers were compelled to liquidate or heavily contract their loans.

Real business solidity as well as a nice sense of fin-

ancial honour and responsibility lay behind the undertaking. The facts were explained succinctly in a letter written by Mr. Hill in the spring of 1889 to a banking firm in Amsterdam, as a practical statement of credit resources: "For the year ending June 30, 1888, our company carried about 37,400,000 bushels of wheat. Our best estimate for the year ending June 30, 1889, is 21,500,000, or about 16,000,000 bushels less than last year. The loss is fully equal to ten cents per bushel, or $1,600,000. Adding to this the loss of business consequent on the withdrawal of the proceeds of this amount of wheat, equal to, say, $12,000,000, would leave us a shortage from the wheat districts of from two to two and a half millions. This has been, however, almost entirely made good from the earnings of the extensions, particularly the extension to Montana. The increase for the past month on the Montana Division over April a year ago is more than $80,000. The loss of 16,000,000 bushels of wheat in one season by one road is greater than has occurred on any western road that I know of. The amount itself, sixteen million bushels, is about equal to all the wheat hauled into Chicago by all the roads running to that point during the year. Notwithstanding so great a loss on our local lines in Minnesota and Dakota, the fact that the property has carried itself so well, and made good from other sources this great deficiency, gives me greater confidence in its future than I have ever had before. During the

last year we have made heavy permanent improvements and added to the equipment so largely that our expenses have been relatively greatly reduced, and this reduction, I am glad to say, will continue." In another letter of the same year, 1889, it was stated that the cost of these improvements, including the substitution of 75 for 56 pound rails, would be fully $2,000,000. Mr. Hill added: "This should at least be represented to the stockholders by stock or bonds, and if we use their money to that extent, and then reduce their dividend, I think they would complain with good reason." Therefore the usual dividend was paid, and before the end of the year the company's business justified it.

The issue of $50,000,000 consolidated 6 per cent. bonds in 1883, related in its place, had straightened out the finances of the Manitoba system and retired the old bonds dating from the organization of the company. In 1887 an issue of $25,000,000 bonds on the lines in Montana was authorized, and $7,000,000 of them were issued immediately and offered to stockholders of the road at the market, 80 per cent. flat. In 1888 there was an issue of $8,000,000 of collateral trust bonds, bearing 6 per cent. The Eastern Minnesota, the Montana Central, and the Seattle & Montana were financed independently. It was not difficult to place their securities among those who knew the value and assured business future of the properties, and could anticipate that they would soon become parts

of a consolidated system. Then the Great Northern was organized in 1889, with $20,000,000 of preferred and the same amount of common stock. The old stockholders had the option of taking the preferred at fifty cents cash, the other fifty cents of value being paid for by the property transferred by the old company to the new. In 1890, when the Pacific Extension was determined upon, bonds were issued against the line for six million pounds sterling. British investors were hungry for a chance to lend to any enterprise backed by Mr. Hill. The records of the company, show that immediately following the authorization of this loan, and at the same meeting, a resolution was adopted "ratifying the action of the president in securing a subscription of two million pounds sterling." Little had been left to chance by his far-sighted and prudent financing.

The consolidated mortgage contained a clause giving authority to issue new bonds in exchange for old bonds of the St. Paul, Minneapolis & Manitoba, as these were retired and cancelled. This authority was exercised from time to time; and bonds were also issued, as necessary, to repay the Great Northern for moneys advanced for new construction and for the permanent improvement of the property. In 1892 fifteen million dollars of collateral trust bonds were put out, and three million pounds sterling of the Pacific Extension bonds had been negotiated, sold, or pledged. At this time costly construction was going forward. In the same

year the preferred stock was raised to $25,000,000, making the total capital stock of the Great Northern $45,000,000. In 1898 the volume of the preferred stock was doubled. The added $25,000,000 was used to purchase $15,000,000 Pacific Extension bonds and cancel the $15,000,000 collateral trust bonds just mentioned, which were held as security; and also to buy in, at a price not more than $10,000,000, the stock of the Seattle & Montana.

After the line was finished to the Pacific Ocean, Mr. Hill cabled to Lord Mount Stephen in London, May 5, 1893, the following summary of the company's financial condition: "The through line is completed and paid for. The company owns the Coast Line, 183 miles, with large terminals at all important points, costing $5,300,000, upon which there is no mortgage or bonds; also an interest of $1,100,000 in the line to Portland, owned jointly with the Union Pacific; $600,000 in coal and other properties on the coast; about $2,300,000 in bonds, and $2,000,000 in bills receivable, $1,500,000 of which will come into the treasury as bonds on connecting and proprietary lines. Our company has no floating debt." Carrying the record of stock issues down to the end of the century, the report of the president for the year ending June 30, 1899, stated that the capital stock had been increased during the year by $65,000,000. The disposition of $25,000,000 of this total has just been explained. Another $25,000,000 was assigned to

the purchase outright of the outstanding stock of the St. Paul, Minneapolis & Manitoba. The remaining $15,000,000 was used to pay for an increase in the stock of the Eastern Minnesota and to buy the Spokane & Northern property. The latter was a line from Spokane to the international boundary, built by D. C. Corbin for his company, incorporated in 1888. It served traffic territory desirable to control. So was completed the financial expansion of the St. Paul, Minneapolis & Manitoba into the Great Northern.

Together with the earlier bond issue of $10,000,000, the motive and justification of which have been set forth in a previous chapter, this completes the bonding record down to 1900. A steady concentration of securities was preparing the way for a closer corporate consolidation. For this reason, forming a connected series as they do, financial measures have been grouped here, at the expense of advancing somewhat beyond the strict chronological line that the story would otherwise follow. Taken as a whole, they suggest two principles then distinctive in American finance.

First, as already mentioned, Mr. Hill believed in recourse, so far as possible, to the sale of stock rather than of bonds. Where bonds are issued first and a railroad is built from the proceeds, much or all of the stock usually goes with them as a bonus. Mr. Hill declared repeatedly that every dollar of securities, stock as well as bonds, should have behind it a dollar in cash, material or

services rendered. He observed this rule himself. He would have liked to hold everybody to it. At the time when combination in all kinds of business was proceeding most rapidly and creating most alarm, he stated publicly that if the law would compel every corporation to put dollar for dollar of cash or property behind its outstanding paper, and make it pay assessments for that purpose or retire the securities which could not show their title clear, it would need to do little else. Second, he believed in expanding the railroad system, whenever it was possible, by employing cash in hand; using the proceeds of his splendidly prosperous property, and taking up the debt with securities afterward. On some occasions he was blamed for this by those who could not or did not wish to understand. But no one with the slightest conception of right methods of financing will underestimate the economy and safety of the method. When Great Northern stock or bonds were put on sale, there was a market for them at good prices. No investor thought that sluice gates had been opened to let out a little more water. Everybody knew that these bits of paper represented value; often, value already contributed in cash by the property itself.

Mr. Hill and his associates acted, to a great extent, as their own financial agents. They were not independent of the New York and London banking houses. Nobody engaged in enterprises of this magnitude could

be. But as Mount Stephen and Strathcona were names of weight in Montreal and London, so the name of Mr. Hill became a synonym for financial probity, as well as for exceptional skill in railroad management, in all the money centres of the world. Wisely he broadened the base of the pyramid of investment in his railroad. He counted personal friends and staunch believers in every country in Europe. He spent the early part of 1891 abroad, after the push to the coast began; strengthening his alliances everywhere. The sight of the strong man, with absolute confidence in himself and his plans, and established facts to back it, brought him both financial helpers and personal friends. To the end of his life his private correspondence was rich in kindly reminders from the many persons abroad, from the lower ranks to the highest of all, who had not only profited by his undertakings but were delighted to have known him and who valued him at his intrinsic worth.

Therefore, when the St. Paul, Minneapolis & Manitoba or the Great Northern came forward asking for a tidy bit of cash, it was generally found that ground had been broken and that resources were already prepared which precluded any possibility of failure, and assured a subscription of the remainder on favourable terms. This concern paid no big commissions and made no scandalous payments to underwriting syndicates. Its head was working for his stockholders all the time. Five years

before, in a letter to Mr. Kennedy, after discussing and reaching a conclusion on some matters of policy, he clinched it by saying: "at the same time, we are in a position to do the best for the interests we represent, i.e. all the stockholders." The widow of an investor in Paris, who had received as her whole fortune some stock in the Great Northern, sent for a friend and suggested changing to something about which she knew more. "What sort of man," she asked, "is this Hill?" The friend, an American, replied: "He is the sort of man to whom a single share of stock, owned by a widow, would be just as sacred as the possessions of the greatest millionaire stockholder in his system." The investment was left untouched, and the tribute was never belied by the fact.

The railroad had paid dividends from the beginning. It kept on paying them, notwithstanding the immense expenses incident to growth. When an extension was ready for traffic, it began to help fill the strong box. When some weak property, the owners of which thought that they had shrewdly unloaded something on Mr. Hill, but which he bought only when he found its value as a part of his plan, came under his control, there was a mighty stirring among the dry bones. New men, new methods were installed; and presently the failure was contributing to dividends and surplus. A fitting conclusion to the story of capitalization is a voluntary tribute paid by another

pioneer railroad builder who, as he said, had by no means always agreed with Mr. Hill and had sometimes run up against him to his own cost. In 1907 an article containing unfavourable reflections on Mr. Hill's financial methods appeared in the *Outlook*. Of his own motion and without Mr. Hill's knowledge, Mr. A. B. Stickney, all his life a builder and manager of railroads and a student of their problems, published a reply in a later number of the same magazine. Here is the conclusion reached by this competent and certainly unprejudiced authority:

> In 1890, when the total bond and stock capitalization of the Great Northern was $105,735,000, its 3,006 miles of railway were prairie lines in Minnesota and North Dakota. During the sixteen years between 1890 and 1905, in which its total capitalization increased $119,490,126, it has constructed 3,104 miles, including the expensive lines over the Rocky and Coast ranges of mountains to the Pacific Coast, and expensive lines in the mountains, and has expended large sums of money in improving its former prairie lines and in enlarging and improving its terminals. It has built steamships which sail on the Great Lakes and on the Pacific Ocean. Its terminals at Minneapolis-St. Paul, at Duluth-Superior, and at Seattle are superior to all others. At Duluth-Superior, in my judgment, its facilities for handling grain, including its elevators, are superior to the facilities of all the railways in the cities of Baltimore, New York, and Boston combined.
>
> That Mr. Hill had the genius to build a line across the unsettled plains and the mountains to the Pacific in 1890-1893, without a land grant or other Government aid—a feat never before accomplished—and to build in sixteen years over three thousand miles, and made the improvements specified by only doubling the capitalization, seems to the people of the West a wonderful exhibition of economic achievement.

To understand the difficulty at that time of finding money to build a transcontinental line, and of maintaining its credit, one has to remember that, to the particular financial problem was added a general financial apprehension now passing into its acutest stage. Nor was this a mere temporary depression or panic resulting from speculation or over-expansion. The financial foundations of the country trembled. This trouble, that came near to paralyzing all effort, and threatened the future as well as the present, was due to agitation for the free coinage of silver, and the well-grounded fear that the advocates of this policy might carry the day. So long as there was any probability of this, capital could not be enticed by any bribes from its hiding places.

The United States furnished a soil peculiarly adapted to the growth of the cheap money fallacy. The people of the country had never made a study of finance. To ninety-nine out of every hundred of them, it was as unintelligible as the higher mathematics. They had become accustomed to the use of irredeemable paper money during the Civil War. The resumption of specie payments, in 1879, was carried with difficulty; and then the law fixed permanently at $346,000,000, neither more nor less, the volume of the "Greenbacks," as these legal tender notes were called, to be left and kept in circulation. Inflation, the boon of the demagogue and the dream of the great debtor class in this new country,

must find some other medium. This was found in the movement for the free coinage of silver into legal tender dollars at an arbitrary ratio fixed by law below the market ratio of the two metals. The silver dollar had not been in actual circulation since 1853. In 1873 it was dropped from the list of United States coins. This was merely a legal recognition of an existing fact. There was no subterfuge, no concealment, no chicanery and no "British gold" about the matter. All that was invented later, when "the crime of '73" was needed for a rallying cry. The law was passed just as most other laws are. The intelligent minority that was interested in it knew it to be wise and proper. The others neither understood nor cared anything about it. The word "bimetallism" meant about as much to the average voter of that day as "anthropomorphism."

Fifteen to twenty years later the situation had changed. The debtor class, increased now by the opening up of the West on borrowed capital, welcomed any measure that might give them a specious justification for discharging their obligations with something worth less than what they had promised to pay. The silver production of the Western States had gone on increasing. It was swelled by Colorado, Nevada, the Cœur d'Alênes, the Black Hills, Montana. Therefore, silver, as measured by other things, continued to fall. A purchaser at an artificial price must be found if the silver mining industry in the West was not to collapse.

Only one such purchaser was possible—the Government. Hence grew up a formidable coalition between mine owners, debtors unable or unwilling to pay, ambitious politicians, honest theorists led captive by barren and unpractical abstractions, and a host of men too ignorant to inform themselves, too impassioned by what they heard to wish even to know the truth. The issue of the free coinage of silver soon became a dividing line of parties and a test of the economic and moral worth of the American people.

As always happens, there was a preliminary period of temporizing; and this coincided with the period just before and just after the creation of the Great Northern. Political leaders sought to frame a measure of assistance which would pull the mine owner out of one hole without dropping the country into another. The practical fruit of this opportunism was the passage, in 1890, of a federal law requiring the United States treasury to purchase not less than 4,500,000 ounces of silver each month, and to pay for the same at the market rate in treasury notes, which were legal tender and redeemable in either gold or silver at the Government's option. This law destroyed instead of restoring confidence. It was accepted everywhere as the first step toward the silver basis. Everybody began to hoard gold. Debts abroad could be discharged only in the more precious metal. Money could be obtained or credit extended anywhere in Europe only by contracting specifically to

repay "in gold coin of the present weight and fineness." Gold exports became enormous. The value of the bullion in a silver dollar declined until it was less than half its face. The legal tenders, which a man could get in exchange for silver dollars and which the law required to be redeemed in gold and to be reissued immediately, constituted the "endless chain" that exhausted the treasury gold faster than it could be replenished. The day was in sight when the honour and the prosperity of the United States would vanish together in the abyss. Only the winning of two great battles could avert these calamities. The advanced trench to be taken was the repeal of the compulsory purchase clause of the act of 1890. This would give the country time to breathe and think. The pitched battle to be won was the defeat of the combination, sprung from both the great political parties, which was now ready to formulate its demand for the free and unlimited coinage of silver at the ratio of sixteen to one. The rest of the world looked upon the United States as already financially lost.

The financing of the Great Northern was completed while these convulsions and uncertainties distracted the country. They broke all the other big roads in the West, and many of those in the East. In the worst panic year, but one large system in the United States besides the Great Northern paid a dividend. The latter did not have to put up a big fight to do so. On the contrary, it declined to punish its groggy advers-

aries. It stayed its hand in pity and for wise reasons. Quoting the rates of a general freight tariff just put into effect, Mr. Hill wrote, February 13, 1893: "This to our company is a higher rate than we would probably make if our line was alone in the business, as I believe the development and increased business from the growth of the country would give us a better revenue at a lower rate. At the same time we thought better to keep the other companies on their feet at this time, although it seems certain to me that in the future they will be compelled to level down the great differences in their requirements over what the service can be performed for by a well-constructed road." But to the observer abroad American affairs looked almost desperate. English and German and French capital was withdrawing from every American enterprise about which there was the least note of uncertainty. All through these years Mr. Hill's correspondence tells of this growing embarrassment. It was easy to make all promises to pay in terms of gold. But the investor must also believe that the borrower would continue to pay in gold even if the Government should, as the silver party threatened, pass laws invalidating contracts made in terms of gold exclusively. Mr. Hill looked the facts in the face and dealt with them in the double capacity of a customer for large grants of capital and credit and a citizen with a patriotic interest in the welfare and future of his country. He obtained what

he wanted, because of his record and the faith it had instilled. But the feat was not easy.

In March, 1889, when the situation was not so acute as it became after the passage of the silver purchase act, he wrote to a friend in the Northwest: "I think that the conditions setting in now are worse in many respects than in 1873; because larger amounts are involved, and the entire country is suffering. Gold is being shipped rapidly to Europe, and, at the rate at which it has been going for the past ten weeks, less than six months would put gold at a premium. . . . I do not want to unnecessarily alarm you, but, as an old acquaintance, I desire to tell you that this part of the country has to 'go through the fire' before it will start a new era of prosperity." As to the bearing of the times on the fortunes of his own enterprise, he added: "As matters stand at present it will be impossible to obtain money to build more railroad lines in either Minnesota or Dakota. The public—even the bankers and merchants—have no idea of the want of confidence that exists on the part of the people who have heretofore invested their money in the West." Each year that brought the crisis nearer increased his caution. But his great anchor to windward, now as always, was the earning capacity of his system. It had always a good balance on the credit side.

The public little understood how much that credit balance was worth to the whole Northwest. For instance,

the country elevators were accustomed to receive the wheat of the farmer and carry it until marketed; giving him cash which they, in turn, had procured, on the security of the grain, by loans placed in financial centres. Such loans were now hard to obtain. What must be the consequences? Like a row of bricks, all the important interests of the section would go tumbling, one after the other. If the farmer's wheat could not be moved, there would be no business for anybody, and nothing for the railroad to carry. Presently there would be nobody left in the country. The railroad stood ready to help; and when it could go no further, Mr. Hill stepped into the breach and carried the load by means of his individual resources. He wrote to Lord Mount Stephen in the latter part of 1890, after the crop had been moved: "We advanced on wheat in our elevators at St. Paul and Superior 80 per cent. of the cost of the wheat, which has been kept margined on that basis up to the present time. We have advanced in this way something over two million dollars. This has given us the benefit of the traffic and had a good effect on the business of the merchants on all our lines." A year later, when the same situation recurred, he raised $800,000 himself to help move the crop. Such a policy was not, at that time, thought of elsewhere. Nor had others the means to put it into effect. Probably Mr. Hill, certainly his competitors, would have greeted the statement with astonishment and hilarity if someone had said, at this

time when he was fighting for supremacy in the Northwest, that his policy was "the application of the golden rule to business." The phrase had yet to be coined, to describe something that it fitted perhaps less perfectly. Yet, at this distance, what he did looks very like it. But his action was dictated not by abstract altruism, but by enlightened and far-seeing self-interest.

By 1893 financial distress came in like a flood. Mr. Hill was ready for it. He gave checks amounting to $2,000,000 to save commercial undertakings in St. Paul, Minneapolis and the Northwest from failure on account of inability to obtain credit, even on good collateral; and to keep hundreds of individuals, rich and poor, from ruin. Anxious people thronged not only his business office but the hall of his home from early morning till late at night, beseeching the financial aid which alone could prevent the sweeping away of the savings of years of labour. He kept the position of the railroad company impregnable. He said, in a letter to Mr. Forbes: "In view of the general wide difference which has to be overcome between our representatives in Congress on financial questions, which may take more time than is generally supposed, our board of directors have considered that, in order to make the company particularly strong it should carry a liberal cash working capital. We could probably provide everything we want from surplus earnings, as we have done heretofore, or could sell some of the treasury securities." About the same

time, in a full statement of the company's position to Lord Mount Stephen, he declared: "Under ordinary conditions it would be safe to depend upon sales of treasury securities, and surplus earnings; but the uncertainty of the Government's silver policy disturbs all finance and might in an emergency compel us to sell securities so much below value as to affect the general standing of securities previously sold, reacting on the company's credit, or forego doing what might be greatly to the company's advantage. The sole object of the present issue is to furnish the company with five millions of cash working capital, avoiding any sudden necessity for using its credit, leaving it very strong under all conditions that may arise."

Of course, the personal experience of every man engaged in large business at this time, unless he happened to be operating silver mines, impressed him with the danger of the persistent agitation for cheap money. But Mr. Hill had also read and studied widely. Economic subjects had always for him a peculiar attraction. He was grounded in their principles, from Adam Smith to John Stuart Mill and Fawcett, to Cairnes and Sumner. The Bullion Report was gospel to him. To the earnestness of the working financier, under the fierce pressure of evil market conditions, was added the zeal of the citizen who fights for what he regards both a condition of public safety and a point of national honour. He had followed with growing approval the policies of

President Cleveland. The latter's bold declaration against free silver at a moment when all fences were fringed with the coat tails of politicians clinging to the topmost rail, riveted fast both friendship and faith. Here was, indeed, a man after his own heart; a man absolutely fearless, stubbornly honest, loyal to his lightest word, and, like Luther and like Lincoln, ready to do the right as God gave him to see the right, with a fine scorn of consequences. In the campaign of 1892 Mr. Cleveland had few more ardent supporters. In the great fight upon which he now entered within his own party for honest money, he had no sincerer or more helpful friend.

The monetary conditions of the country had become desperate. The silver purchase act depreciated the currency monthly and gave promise of worse to come. Public distrust, acting through the "endless chain," drew gold steadily from the treasury and sent it abroad. The money of the country kept its parity with gold only through sales of bonds for treasury account. This could not go on for ever. Everybody felt the blight of distrust and foreboding. Mr. Hill wrote to Mr. Perkins in June, 1893: "The general condition of the country, and particularly our part of it out here, seems to be fully as good as usual, with the exception, of course, of the widespread feeling of distrust and the want of credit. If it was firmly settled so that the world would understand that our Government would maintain the parity between gold and silver under all

circumstances, foreign capital would, in my judgment, be invested in this country more freely than ever, and, I think, on more favourable rates to the borrower. There seems to be no other place in the world where capital can be as safely and well invested as in the United States, provided that the danger of repayment in silver is removed."

President Cleveland had by this time made up his mind. No matter what the effect might be upon his personal fortune or upon his party's future, the country's safety took precedence. He determined to use not only the full strength of his individual relations with public men, but the whole power of his office to force through a repeal of the law compelling monthly purchases of silver bullion. He did not underrate the cost. He was averse to disrupting his party, he hated the thought of executive intervention in a legislative affair, he loathed the use of patronage to influence votes. All these feelings he thrust into the background to save the country from swiftly advancing ruin. In a letter to him dated July 4, 1893, Mr. Hill employed the national anniversary to express warm approval of his course:

"Your proclamation calling Congress together on the 7th August, and the reasons given therefor, have met with the most unanimous and hearty approval on the part of the people throughout this section. Nothing could have been more timely. The people feel so

strongly in this matter that they are ready, if it will do any good, to send delegations from the different localities to Washington, or to flood Congress with petitions, so as to impress upon the members of both houses the absolute necessity of removing the legislative burden that has been placed upon the business of the country from one end to the other. The amount of money—mainly gold and greenbacks—that has been taken out of circulation and hoarded is, of itself, enough to bring about the conditions that have existed as regards scarcity of cash. This of course is due to the wide feeling of distrust on the part of the masses. When the present condition commenced on the first of May, it affected mainly the wealthy classes; but as soon as liquidation in stocks, bonds and securities was over, it began at once to affect manufacturers and every employer of labour throughout the country. The result is that within sixty days a very large number of people are out of employment, unable to earn summer wages with which to protect their families during the winter, and without any prospect of re-employment in present view. In St. Paul and Minneapolis, which are not considered manufacturing cities, the unemployed number not less than eight or ten thousand."

Mr. Hill believed, theoretically, in bimetallism. A permanent ratio between the metals, fixed by any one country's law, he knew to be an impossibility. He was always, in the ten years of

struggle with the free silver "ghost dancers," as he called them, and throughout the whole period of inquiry and discussion leading up to the establishment of the Federal Reserve Banking system, an active and consistent friend of sound money. He stated fully and plainly his platform on the money question in a letter written, in the summer of 1893, to a public man who was wavering between his duty to his country and the demands of his constituents who had been swept away by the tide of Populism: "The silver interests of the United States are greater than those of any other country except Mexico, and I certainly would be glad to see silver used to the fullest extent as money all over the world; but the United States cannot buy the silver product, simply to benefit those who produce it, any more than they can buy the coal, or wheat or any other product of the country; and any attempt to do so will result in disaster, not only to the silver interests, but to all other interests in the land. For more than a year past we have heard the silver men say, 'Let the gold go, and silver will take its place.' The recent action of the British Government in India has shown the utter fallacy of such ideas; and whenever the United States Government ceases to maintain the parity between its gold and silver in circulation, a silver dollar will pass for fifty cents, and no more; while the wheat, corn, oats, meats, cotton, and other articles that furnish the bulk of our exports will still be sold on a gold basis, and will

bring no more than they do now. There can be no improvement in the condition of silver until the United States is on a gold basis with the other nations, and declares to the world that it has the ability to provide itself with sufficient gold to maintain its position."

During the whole of this period Mr. Hill's views of men and measures were influenced materially by this issue, which had come to represent to him not only an economic but a moral test. He stood by Mr. Cleveland to the end. He deplored the apostasy of the party to which custom and natural disposition had attached him. He scorned the man who, in 1896, by securing the Democrat nomination for the presidency on a free silver platform, broke the last tie between that party and its ancient faith. He fought that candidacy with all the means at his command. He made common cause with the enemies of the free silver propaganda, regardless of party affiliations. Fired with indignation and full of purpose, he wrote to Mr. J. P. Morgan, as follows, so soon as the die was cast, July 15, 1896: "On my way home and since my return I have taken every step to try and get the actual situation as between the sound money men of the country and those who are likely to support the action taken at Chicago last week. I am not disposed to overestimate the strength of the silver people or to admit that they will succeed, but I feel it is very important that the sound money men shall not waste a single day in getting at work. There is an epidemic craze among the farmers

and to some extent among those who receive wages or salaries, and people go about even in the cities from house to house talking up their views in favour of free coinage. I take the liberty of writing you my own opinion, hoping that you will urge those who are to manage the McKinley campaign that they should get to work *at once* and open the fight in St. Louis, Chicago and all the leading Western cities and drive back the wave that is rising over the doubtful states. I will do anything or everything in my power to further the end we all have in view, but I think all action should be well handled and on lines that will be in unison with those taken by the general campaign. Surely it is important that we should not only beat them but that the victory should not leave any room for doubt as to the future position of this country on the money question." He remained a convinced democrat at heart, but spelled the word with a small letter as often as with a capital. Until the last chaff of the cheap money pretension had been threshed out of the party by the flail of repeated political defeats, he had little sympathy for it. He spoke, he wrote, he contributed funds liberally for education in sound money principles everywhere, but especially throughout the, at that time, wild-eyed and wild-idead communities of the Northwest.

Of course all this drew closer the bonds between him and President Cleveland, now undergoing his martyrdom. A dozen years later the latter said: "Mr. Hill

is one of the most remarkable men I have seen, especially in his wide knowledge of a great variety of questions, and his farsight into industrial conditions. I am perfectly sure that I have never known a man who was at once so familiar with so many big things, and who also had the gift of carrying about and remembering what most men in his position would deem too small for their attention." On the other hand, Mr. Hill's appreciation of Mr. Cleveland's great qualities was quickened by sympathy for a leader at this time the victim of truculent abuse, but splendidly vindicated by history. At any time the mention of the ex-president's name would stir Mr. Hill and send him off on a train of musing but enthusiastic eulogy. As long as Mr. Cleveland lived they saw much of each other. At Mr. Hill's salmon preserve in Labrador, a spot to which he loved to carry off a man so congenial in mind and temperament, appreciation grew into intimacy. No one could be more keenly unsparing in his judgment of others than Mr. Hill. Even when he admired a man genuinely, and said so frankly, he often added a mordant sentence in which a pet weakness was set off to the life. This man was exempt. Mr. Hill was no hero-worshipper. But if any one of his own generation came near to a place beyond criticism in his mind and heart, it was Grover Cleveland.

END OF VOL. I

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GARDEN CITY, N. Y.

# THE LIFE OF
# JAMES J. HILL
## VOLUME
## II

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JAMES JEROME HILL

1838-1916

# THE LIFE OF JAMES J. HILL

BY

JOSEPH GILPIN PYLE

AUTHORIZED

ILLUSTRATED

VOLUME
II

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# THE LIFE OF
# JAMES J. HILL
## VOLUME
## II

## CHAPTER TWENTY-TWO

## REORGANIZATION OF NORTHERN PACIFIC

JANUARY, 1893, saw the Great Northern opened for business through to the Pacific coast. August 15, 1893, an application for the appointment of receivers was made by creditors of the Northern Pacific, who alleged that the company was insolvent. Receivers were appointed; and in October of the same year the Farmers' Loan and Trust Company, as trustees for the mortgagees, filed a bill for the foreclosure of the mortgages securing its second, third, and consolidated mortgage bonds. This was more than coincidence. The financing of one system had been as reckless as that of the other was prudent. The operation of the one was lacking where that of the other was strong. The competition for business between the two had for some time made its consequences felt. Not alone in the stock market is the money value of coming events discounted by a rise or fall based on calculations of what is about to happen. People who cared to know it knew now that the Great Northern could, if it wished, by virtue of its low capitalization, method of construction and system of management and operation, control through competitive business. If the Northern

Pacific had been a solvent concern, its owners and creditors must still have dreaded a doubtful future. Staggering as it was under accumulated indebtedness, this last touch of hard fact toppled it over. The financial condition of the country as a whole had seldom been worse. With comparatively few exceptions its railroads were trying to keep away from the sharp edge of bankruptcy. There was no possibility of any arrangement with the creditors of this system which could prevent or even postpone disaster. So it was added to the long list of transportation companies in the hands of receivers. Such a situation could not fail to be of deep moment to those interested in the Great Northern, above all to Mr. Hill.

He had, of course, foreseen the event. In fact, he was almost as well informed about the resources and liabilities of the Northern Pacific as its own officers and and directors. Some references of his to the state of its affairs have been given in preceding chapters. He was always quietly on the watch. In May, 1893, he wrote to Lord Mount Stephen: "I cabled you a few words about the Northern Pacific. That company has run its length and will have to be entirely reorganized, wiping out all present and preferred shares. There are two very strong parties, including the very strongest financial concerns here, who will take up the reorganization provided we will name half the new board and find men to manage the prop-

erty. . . . We will not invest money in it, but our position in traffic matters is so well recognized that the parties feel safer with our coöperation than in any other position." This shows that, before any announcement of the bankruptcy of the Northern Pacific, those on the inside of its affairs had been sending out distress signals and looking about; and had seen only one way in which the property could be saved. The largest holders of Northern Pacific securities, by whom they must be rehabilitated, were by this time well acquainted with Mr. Hill and his methods. The Deutsche Bank knew that it had to deal with a supremely able and successful man. In this country, the Northern Pacific people had turned to Mr. J. P. Morgan, a colossus of finance and a master hand in reorganizing properties that had gone to pieces. Mr. Morgan and Mr. Hill had long known each other and were personal friends. They had not been so closely connected in business interests as they now became. "Community of interest" was beginning to mean something in the upper circles of the railroad and financial world.

Mr. Morgan never was, pretended or desired to be a practical railroad manager. He was a financier. If he discovered a workable plan for financing the Northern Pacific, it would be as worthless as a watch without a mainspring unless two conditions were satisfied. First, the property must be efficiently managed, or it would

again complete the cycle of a few years of artificial prosperity ending in another fall. Second, there must be an understanding by which that superdreadnought, the Great Northern, would not be found in a hostile fleet. In a word, it was no clearer to Mr. Hill that the interest of his property would be served by his participation in the future of the Northern Pacific than it was to Mr. Morgan that any reorganization without some such understanding would be time wasted and money thrown away. So, while the receivers did what they could with the property—and they made no shining success of it—in the next two years plans and arrangements matured for the greatest railroad combination that had yet appeared in American history.

Mr. Hill canvassed the situation with characteristic thoroughness. He was chary of glittering possibilities. Always he scrutinized them and, as soon as he saw the remotest chance that his own great property, the work of his life, might even suffer chance of loss, drew away. But control—actual or essential—of the Northern Pacific was no common temptation. It would mean railroad harmony throughout the territory from the Great Lakes to the Pacific, including seven states. Yet in Mr. Hill's mind such a power was desirable principally because it conduced to the certainty of economical operation. He saw how, with rate wars abolished, offices consolidated, reckless building stopped, freight shipped by the shortest line from point to point regardless of systems—

rates might be steadily lowered while millions were added to profits on both lines. The business side of the proposition appealed to him powerfully. For that reason, he was especially careful not to let himself be carried away by a sudden impulse. He studied this question to the bottom, as he had that of the St. Paul & Pacific before its bonds were bought. He trusted greatly the judgment of Lord Mount Stephen, a born financier and now an influential personage in foreign financial circles. His letters to this friend tell pretty nearly the whole story of the part which the Great Northern was to play in the reorganization of the Northern Pacific. When such letters exist they make authentic history. In October, 1894, while negotiations went on with Mr. Morgan and the others who were working out a plan, he wrote:

"If the Northern Pacific could be handled as we handle our property and all the wild and uncalled-for rate cutting stopped, it could be made a great property. Its capacity to earn money is good, and with all unnecessary expenses, commissions, and train service abolished, it would, I think, astonish even its friends.

"You will recall how often it has been said that when the Northern Pacific, Union Pacific and other competitors failed, or went into the hands of receivers, our company would not be able to stand; and that they, having nothing but expenses to pay, would destroy our business. Now we have had them all in bankruptcy

and in the hands of receivers for more than a year; and while the Northern Pacific has been forced to issue $5,000,000 receivers' debentures, we have gone along and met not only their competition but that of the 'Soo' line and the Canadian Pacific Railroad on coast traffic, which is really more destructive than Northern Pacific if we followed it down, and in addition we have had the worst conditions of business and other matters affecting our company, and still we hold our own. I hope you will not consider this as self praise, for it is not so intended. The quality is in the property, and careful management and constant effort will bring it out.

"The treasury situation on Nov. 1 will show a balance of nearly half a million dollars in the treasury over and above the amount necessary to pay all coupons due the first of January following. Of course, the above leaves a small margin for a large company like ours—too small—but in view of what we have come through in the way of panics, strikes, floods, storm, and fire, I think it shows the real strength of the company more than anything else could."

Five days later he sent to the same correspondent a very long letter. After analyzing in detail the property and liabilities of the Northern Pacific with the precision and thoroughness of an expert who might have been examining it for a report to the owners, he said:

"To handle the property in the courts and hasten a

reorganization would require actual control and a strong party. The amount of work to be done would be very great, and the men who could be of use are very few. The advantages to our company would mainly come from the freedom from competition and needless friction and expense in operation, all of which I think would be worth to us about $600,000 or possibly $750,000. When they went into the hands of receivers a year ago, timid people said, 'Now the Great Northern meets its Waterloo, with its competitors in hands of receivers and released from fixed charges, etc.'; but you will bear in mind our difficulties from serious floods, strikes, fires, etc., during the past year, and still we are prosperous and in good financial condition, while they are asking the court to pay their shortages. I speak of this to show that we can get along without them and against their operating at an enormous loss. At the same time the control of an empire such as lies between Lake Superior and the Pacific Ocean, which is served by the lines of both companies, would render the future reasonably secure for both properties, and its value should not be overlooked. . . . There are many other matters of detail of which I could write, but unless there is a probability of our doing something it is hardly worth while taking your time. However, I am reasonably satisfied that if the Berlin people or any other holders of Northern Pacific securities do not realize how much more we can do with the property

than any other organization without exception, they will surely realize this before they are done."

The people by whom the future of these hundreds of millions of dollars' worth of property was to be decided must reach a common understanding. They all looked to Mr. Hill for knowledge of detail and for future assurance. There were the bankers in Berlin, and, below them, the many investors in other European countries. There were the American banking houses. While all of them had relied on Mr. Morgan to outline a financial scheme and to find the necessary capital or credit to float it, they knew that Mr. Hill must not only be a part of this scheme, but that he must declare the project practicable as to operation and profits. How very cautious he was about this may be read in a letter to Mr. Schiff, January 4, 1895, as the time for a final decision approached:

"I think I fully appreciate the situation as it affects both companies. A very large saving could be made in (Northern Pacific) operating expenses and waste of revenue, and further by reducing all unnecessary train mileage. The net result would be so great as to astonish you.

"The work of looking after all this could not be done anywhere else than on the ground, and it would require an organization which could not be made in a day. I am sure you feel in our own case that we are doing our work with fair economy, and that we are improving

from month to month; still no one knows better than I do how far we are from doing as well as could be done. A difference of ten cents in the average cost of moving one ton of freight one hundred miles on any line will make a difference in our net revenue of $1,000,000; and I think the difference in our average cost per ton per mile and that of the Northern Pacific last year would have given them over $3,000,000 more net revenue than they earned.

"I have gone over their mortgages carefully and spent what time I could spare evenings on their reports, but I am not clear as to many of their worthless branches.

"It is beyond doubt a very desirable thing to do, and at the same time one that calls for the greatest caution and wise forethought in making a plan of campaign, and after the work of reorganization was carried out, the real hard drudgery would begin in order to secure an organization that would get the results which should be had to justify the work."

At the last moment, March 19, 1895, just before the die was to be cast, he reported to Lord Mount Stephen the results of his conferences with Mr. E. D. Adams, the American representative of the Deutsche Bank, who later was to become Chairman of the Board of Directors for the reorganized Northern Pacific:

"Since our arrival in New York, which will be two weeks to-morrow evening, I have spent most of my

time on Northern Pacific matters and have had several interviews with Mr. Adams, during which I have gone over the entire situation with him as it was discussed in London and also covering about all the ground relating to the property, its value as a railway, present and prospective. I also made up a comparative statement from the Railroad Commissioners' reports, showing the results on the basis of operating cost of the Milwaukee & St. Paul, the Chicago & Northwestern and the Great Northern. Applied to the business of the Northern Pacific, the result shows that it would be necessary to get better results than either of these in order to place the Northern Pacific where it could pay the obligations necessary to an acceptable reorganization and at the same time leave the new company on a basis of net earnings which would enable it to pay its interest charges beyond question, even if a failure of crops or other temporary cause reduced its income.

"I have urged on Mr. Adams, and I am sure that he agrees with me, that the market price of the bonds of the reorganized company will be the measure of the company's credit, and the importance of having the bonds so good that the holders will not be at all anxious to sell them. There would be much difficulty in building up the credit of the new company in the face of so many bondholders watching the market with a view to selling on every little rise.

"Mr. Adams has evidently worked very hard since

he went into the committee, and I find he has acquired a great deal of information which is more or less valuable and which must really have taken a great deal of time and labour to work out. At the same time the whole question comes down to, first, a determination of what the company can be made to earn *net;* and, then, the best and the most practicable distribution of these earnings to the new bonds and stocks by an equitable merging of the several classes into the new company's securities. I think I have shown Mr. Adams to his satisfaction that the Northern Pacific can be made to do better work than it has ever done in the past. . . . and a reorganization made on these lines will be creditable to the makers and profitable to all who receive the securities.

"I may be mistaken, but I think I could see in Mr. Adams's mind a somewhat remote desire toward a *unification* of the two corporations. However, with the past experience of the Northern Pacific in operation of its lines, and the small proportion of net to gross earnings, it was not easy to devise any plan of reorganization that would meet the expectations of the bondholders and at the same time be on a really safe basis looking to the future credit of the company.

"The Adams committee seem to have made a really good plan for that company, if they can get some *good men* to handle the property on a basis of good economy. It makes little difference what else is done if a property

is not handled with close regard to expenses and income."

In the period between the order for a receivership and the announcement of a definite plan of reorganization, the course which must be adopted to save the Northern Pacific and restore to it the financial and business standing worthy of so great a property was studied and discussed by all the parties interested. There were goings and comings across the Atlantic. Mr. Hill and his friends were ready to contribute money support, and their still more necessary knowledge and advice about the practical management of the system. The three principal parties to the agreement to be reached were the Deutsche Bank of Berlin, J. P. Morgan, and James J. Hill. Finally a plan was matured and defined in a memorandum which constituted the first "London Agreement." It was drawn up at Mr. Morgan's house in London, and in its terms all the parties at last found common ground. The following is the text of this important document:

London, May 10th, 1895.

To Edward D. Adams, Esq.,
Chairman of the Reorganization Committee,
Northern Pacific R. R. Co.

The undersigned, on behalf of a majority of the capital stock of the Great Northern Railway Company, hereby propose that the Great Northern Co. shall guarantee the payment of the principal and interest of new Gold Bonds, secured by a mortgage lien upon the Land Grant and Railway of the Northern Pacific R. R. Co., of such an amount as you may require in your reorganisation,

provided the principal sum shall not exceed the amount of $175,000,000, and that the annual interest thereon shall not exceed $6,200,000, and further provided as follows:

1. The new Company shall not have any other fixed interest charges than those now existing upon the present outstanding bonds of the St. Paul and Northern Pacific R. Co. ($509,760) and the Northern Pacific Terminal Co. of Oregon ($70,000), and such as may hereafter be assumed with our aproval.

$8,423,000 of the new 4% Bonds shall be set aside in trust to provide for the same amount of Saint Paul & Northern Pacific Bonds at their maturity. The mortgage shall provide for further issues upon additional mileage, at the rate of not exceeding $20,000 per mile of road, limited in total amount to 200 millions, and restricted in method of issue, with or without the guarantee of the Great Northern Railway Company, to the cash value of the property acquired, and to the action of a majority of the Board of Directors of the new Company.

The $15,249,000 of Branch Companies' Bonds held by the public to be offered the privilege of conversion into such an amount of the above mentioned additional issue as the interest upon which will not exceed an average of $400 per mile per annum.

The form of the Mortgage to be approved by our Counsel as well as by yours.

2. One half of the entire capital stock of the new Company, succeeding to the present property of the Northern Pacific Railroad Company, shall be delivered to the Great Northern Railway Co.

3. A majority of one, in a Board of Directors of nine, shall be nominated by us. The minority capital shall be entitled to four of nine Directors, and to elect the Chairman of the Board of Directors, so long as the majority capital remains en bloc, in the interest of the Great Northern R. Co., but not after Dividends at the rate of five per cent. per annum shall have been paid for two consecutive years upon the entire Capital Stock of the new Company, and not in any event for more than five years.

4. The treasury of the new Company shall contain, when the control of the property and shares are delivered to us, not less than

$3,500,000 cash assets, or $4,000,000 of new 4% Bonds, in addition to whatever stocks and bonds now among the assets of the Northern Pacific Railroad Co., may not be required by you in perfecting your reorganization.

5. The unconditional guarantee of the principal and interest of the new bonds, by the Great Northern Railway Company, shall be executed upon each bond, to the extent of $175,000,000.

6. The $6,200,000 guaranteed per annum shall be payable as required by the service of the debt, and shall accrue from the date of transfer of the property from the Receivers to our control of its operations.

7. The details of the reorganization, and the methods for carrying out the purpose of this proposal, are to be under your control, and such only as your Counsel approve.

Should your Committee and your bankers, Messrs. J. P. Morgan & Co., and the Deutsche Bank, approve this proposal, and undertake in good faith to carry the same into effect, with the least possible delay, we pledge to you our loyal and active coöperation.

(Signed) JAS. J. HILL
MOUNT STEPHEN
EDWARD TUCK.

Referring to the above, as well as the letter of Mr. Adams to James J. Hill, dated London, May 9, 1895, we hereby approve of the terms expressed in the correspondence, and pledge our best endeavour in good faith to carry the same into effect.

(Signed) Deutsche Bank.
G. SIEMENS. A. GWINNER.

The within proposal is hereby accepted, subject to the formal ratification of the Reorganization Committee.

(Signed) EDWARD D. ADAMS,
*Chairman.*

This agreement contemplated not only a gigantic financial operation, but something new in the relation of the transcontinental lines. It provided that the

bondholders should obtain a decree of foreclosure and have the property bid in by a committee of their own. The outstanding stock of the Northern Pacific was upward of $80,000,000. Besides its floating debt, it had outstanding bonds to a total of more than $121,000,000, on most of which no interest had been paid for two years. It was to be reorganized as a new company, with new bonds to the total of $100,000,000 or over, and the same amount of capital stock. The assignment of these to holders of the old securities is of no interest here. What is of interest is that the Great Northern Company guaranteed the payment of the principal of the bonds, and interest on them not to exceed $6,200,000 a year. In return, the reorganized company was to turn over one half its capital stock to the Great Northern or to its trustee. Provision was made for joint use of certain tracks and terminals, and for an amicable and equitable interchange of traffic. It was not looked upon as a final but a tentative affair. It was an advantageous deal for both sides; but was certain to rouse both public and private remonstrance.

Trouble began at once when the details of the arrangement were noised about. It was an especially trying time for Mr. Hill. The people who feared or professed to fear the consequences of such a consolidation emptied their vials of wrath on him and his railroad. The Northern Pacific was down; why kick it? The Great Northern was represented as

the octopus which was trying to take that property from its owners and fasten the grip of a mighty traffic monopoly on the Northwest. A wave of public excitement swept over all that section. An alleged railroad combination to dominate the business of the Northwestern states raised an issue too well adapted to political controversy to be neglected. A legal test of the validity of the agreement was inevitable, and was desired by both its friends and its enemies. Thomas W. Pearsall, a stockholder of the Great Northern, brought suit in the Federal Court to prevent the carrying out of the arrangement, alleging that it would depreciate the value of his holding, by making the Great Northern the guarantor of a financially unstable system. The basis of the legal attack may be stated simply.

The charter of the Minneapolis & St. Cloud Company, which was that of the Great Northern with only a change of name, as amended by subsequent legislation, was extremely liberal. It gave to the company a right to consolidate with others at pleasure. But in 1874 the Minnesota legislature had passed an act forbidding the consolidation of parallel and competing lines. And in 1881 it enacted another law strengthening the prohibition in these positive terms: "No railroad corporation shall consolidate with, lease or purchase, or in any way become owner of or control, any other railroad corporation, or any stock, franchises, rights, or property thereof, which owns or controls

a parallel or competing line." Two questions only called for decision. Were the Great Northern and the Northern Pacific parallel and competing? Was the Great Northern, by the terms of its original charter, exempt from the operation of these later statutes? The Circuit Court held for the company's contention. The Supreme Court of the United States, on appeal, reversed the decision, March 30, 1896. So the project of a reorganization by joint ownership and guarantee of securities came to grief on one of the scores of legal reefs which line the course of every large railway corporation, and of which the pilot of the Great Northern seems to have encountered his full share.

During this litigation the burden of the battle had fallen on the Great Northern, that is to say on Mr. Hill. His letters in 1895 are full of it. The highest court had not yet spoken its final word. September 3, he wrote to a confidential friend in Seattle; "My time has been so taken up with this Northern Pacific matter that I have been unable to do much else. It seems very unfortunate that the affairs of that company have become so badly involved. The bondholders, scattered through Switzerland, France, Belgium, Holland, Austria, Germany, England and Scotland, are so discouraged with American transcontinental railway securities that they absolutely refuse to take the independent, unsupported bonds of any reorganizing company. Their first choice is to sell the property outright and get rid of it and, as they

say, 'Wipe its name from the face of the earth,' if not from their own recollections. To find a company to buy the Northern Pacific would be practically impossible. Therefore, their next, and what they consider the most feasible plan, is to have the company reorganized by the security holders and placed in charge of some existing company with a well established credit, which will guarantee the bonds, and this guarantee will enable the old Northern Pacific bondholders to dispose of their new securities at a price. Our company, although a young one in years, has excellent credit abroad, and I think it would not be difficult to start the market of the new securities in Europe on a basis that would incline the holders to retain their bonds rather than to sell them."

He had at least the comfort of knowing his plans to be the best, and his own property impregnable in either event. With proper pride he made this retrospective summary and sent it to Lord Mount Stephen at the end of the year: "Our company is the only Pacific line paying a dividend on its shares, while three out of five lines other than our own are in process of reorganization, which must wipe out many millions of the capital invested in those enterprises. Every other Pacific line except our own received enormous sums of money or lands or both as subsidies, while our line, or rather our company, has gone on steadily paying dividends to its shareholders for fifteen years,

and all this time the dividend has been earned during the year in which it was paid except in 1889 and 1894, the deficiency for these two years being made up from former surpluses, without materially reducing such surplus."

The following extracts from the same review show that he had considered and computed every item connected with the Northern Pacific system as closely as he had the details of his own: "The Northern Pacific has had large earnings during the fall months. Their car equipment, while not such large cars as our own, is greater in number and they have rushed everything to market, while we have encouraged holding in country elevators and have advanced money to help carry the wheat so held, to ensure a steady winter traffic. I think we will have on the line and in farmers' hands to come forward on January first fully 25,000,000 bushels, while the Northern Pacific will not have over 5,000,000 bushels. I think, therefore, that our earnings will hold up longer, while those of the Northern Pacific relatively will fall off after the holidays, and next year the parties who are now shouting huzzas for independent reorganization will have another song to sing. At any rate, there will be a more solemn note in their music long before they reach a reorganization on any basis. . . . The Northern Pacific, for the year ended June 30, 1895, shows an average cost per train mile of $1.10, and an average load hauled of 163 tons per train mile run.

This would make their average cost for the year .68 of a cent per train mile against our .41 for the same time and .34 for the first half of the present fiscal year. . . . . From the above I estimate that with such changes as we could make in from twelve to eighteen months on the Northern Pacific, we could rely with reasonable safety on earning a good dividend on the preferred shares at the end of the first year."

All of these facts and calculations were of service in another kind of reorganization to which the parties interested were soon compelled to turn. The order of the highest tribunal in the country, March 30, 1896, put a final end to the negotiations which they had contemplated. It forbade a combination which, in its judgment, was forbidden by the law. Joint ownership, in the form proposed, ran up against the blank wall of a decree of the Supreme Court. Opposite the scheme so carefully matured, which later events were to show devoid of any unfortunate consequences for either the corporations directly concerned or the people of the country they served, was written a final *non possumus*.

The owners of the Northern Pacific, together with those who were prepared to furnish the new capital necessary to any reorganization, had planned to rebuild its property. The courts had built a wall across their path. But this scheme was not merely a device of men looking after their own comfort or profit. It was the true offspring of the business evolution of the country.

Nevermore were the owners of great railroads to be either persuaded or coerced into cutting each other's throats for anybody's pleasure or benefit. They had seen their way clearly. As they could not climb over the court's wall, they walked around it. After the decision was announced, other plans which had been considered tentatively while it was in abeyance, in case it should be adverse, were carried out. The same parties and no others were to be consulted. The principal owners of the Northern Pacific had placed their interests in the hands of Mr. Morgan. They had felt it prudent to consider and prepare for a possibly unfavourable decision of the Supreme Court. Mr. Hill had a complete plan of reorganization for the Northern Pacific on new lines worked out by the beginning of 1896. He sent it in detail to Lord Mount Stephen for his judgment, February 15. It need not be quoted at length, for the essential features are those that were later adopted. His letter concluded with the following paragraph: "Bearing in mind the opposition to the consolidation of the interests of the two companies which has grown out of the public discussion, lawsuits, etc., during the past summer, I think it would be well to avoid for the present any discussion of the proposed unification of interests. My plan would be for a party of the friends and large shareholders of the Great Northern to buy all the consolidated bonds of the Northern Pacific to be had in the market. We

should secure one-half the issue if possible. . . . I think I could make up a party to take the whole transaction in America, but as it would be very profitable, I would prefer to distribute it among some of our good friends abroad." He and his friends were ready now to act promptly after the court had spoken.

The new plan settled upon, by the same parties that had joined in the old, after conferences in London and New York, simply substituted the principle of joint ownership by individuals for that by corporations. What the companies could not do legally was entirely lawful for their stockholders in a private capacity. Mr. Hill and his friends had bought a large block of Northern Pacific stock. Mr. Morgan acted for the body of the old stockholders and for associates of his own who were putting new money into the enterprise. March 16, 1896, a plan of reorganization was announced, and declared operative April 24. It provided for the sale of the property at foreclosure, and the organization of a new company with $80,000,000 common and $75,000,000 preferred stock, and the issue of not to exceed $130,000,000 prior lien 4 per cent. bonds and not to exceed $60,000,000 3 per cents. These bonds were issued only in part, and from time to time, as necessity required. A syndicate consisting of Mr. Morgan and representatives and friends of the Deutsche Bank subscribed $45,000,000 to underwrite the scheme, and $5,000,000 to make improvements in

the property immediately. Mr. Hill was not a member of the syndicate. But by an agreement reached in London between him and Mr. Morgan, he and his friends were to have the right to take such portions of the stock as were not subscribed for by the old stockholders under the plan of reorganization. This amount turned out to be about $16,000,000; and gave them a large interest and the usual stockholders' voice, to the extent of that holding, and such additional stock as they purchased from time to time, in the management of the company. The right to retire the preferred stock at par on any first of January during the next twenty years was reserved; a provision whose importance, soon to be tested, was not then foreseen. Both classes of stock were vested in five voting trustees for the first five years, the voting power of the trust expiring November 1, 1901. Mr. Morgan was placed at the head of it.

This reorganization was an event of the first magnitude for several reasons. It put the Northern Pacific on its feet again, permanently this time, and gave Mr. Hill and his friends a substantial stock interest. A more important factor was the effect of his personality; the qualities of the man, his record as the builder and manager of the Great Northern and his friendly relations with many of those who held large interests in the Northern Pacific. In this way was established the sort of community of interest which is all the more real and lasting because it rests on mutual understanding and confidence

rather than on any formal stipulation. It gave practical effect to natural laws of railroad growth and development, in a shape that did not run counter to laws or court decisions. It was a long step forward in the adjustment of traffic facilities for the Northwest according to economic necessities. It prepared the way for the purchase of the Burlington system, soon to follow, and for the formation of the Northern Securities Company. It drew closer the relations between Mr. Hill and Mr. Morgan, which were to remain unbroken the rest of their lives.

Seldom have two men so powerful in their way and time, and yet so different in many things, been more closely united in so great an undertaking. Each understood and appreciated the strength of the other. Both were pledged by their very natures to that loyalty to any obligation which shines starlike wherever it exists in the business world. It was presently to be put to the uttermost test; when unimagined profits and willing millions should be the price ready for a breach of trust. Shoulder to shoulder they stood then; and each had only scorn and wonder for one who could dream it possible that either should, for gain, be false to his plighted faith. On the practical side, this interest gave to the Northern Pacific the advantage, when desired, of consultation with a man whose genius for operation, given anything more than a scrap heap to work on, could turn a deficit into a dividend. Mat-

ters improved immediately and radically. A letter to the Deutsche Bank, of December 20, 1897, said: "Northern Pacific matters are getting along satisfactorily. They are now handling their operating accounts on practically the same basis as the Great Northern, and while there is still room for improvement, they are getting results that must be satisfactory to shareholders. The volume of traffic handled by the Great Northern and the Northern Pacific is about the same, the Great Northern handling a little greater number of tons, and the operating expenses which last year were more than $200,000 a month less on the Great Northern are now reduced to an average of only a little more than $150,000 per month. With time this difference should largely disappear."

The reorganization of the Northern Pacific and the reasons why it was of such interest to Mr. Hill have a large place in an estimate of his life and character. He had long foreseen the inevitable course of evolution in the working out of these properties, from which must come some clearer mutual understanding and harmony of interest. The public, so far as utterances of the press and of legislative bodies represented it, was concerned almost entirely with the feature of a combination and its possible gravitation toward monopoly. Nor was its fear an unnatural one. But Mr. Hill's mind was occupied with efficiency in financing and operation; so that, without increasing the public burden, in fact with pro-

gressively lowered charges for the shipper, the investor would be sure of steady and satisfactory profits. This is not an afterthought of the scribe. It is not an empty panegyric of favourable prejudice. It was the sincere and inmost thought of his own mind, as his personal correspondence proves. Here is an extract from a letter written by him, late in the fall of 1898, to the firm of J. P. Morgan & Co., which was destined for their eyes alone and has not until this moment been presented to any others: "The sole object of myself and friends in signing the London agreement with your house and the Deutsche Bank was to bring together as nearly as possible the general policy of the Northern Pacific and the Great Northern, so that both companies could be operated on such lines of general policy as would preserve their mutual independence and allow each one to discharge all its duties to itself and to the public in such a manner as to avoid unnecessary expenditure of money either in building new lines or in the operation of existing lines. We believed this could only be done by the holding of a large and practically a controlling interest in both companies by the same parties."

Summed up, Mr. Hill's real concern at this time, in the large sense, was a virtual reconstruction of the railroad interest of the Northwest. He was no altruist in ordinary business transactions. He was as regardful as ever of the direct and immediate interests of the properties he represented. But his mind was

clear enough, his vision had a sufficient sweep and piercing quality for him to be able to see where these were merged with the interests of competitors and associates; and where all of them could be found, by a discerning eye, coincident in the widest and deepest sense with the interest of the entire public. It is the same theme, emphasized a little, written in characters somewhat larger, that has been discovered at the basis of his management of the Great Northern; below his creation and leadership of the Manitoba; underneath the proposed purchase of the St. Paul & Pacific itself. Concerns that operate various companies providing the people with certain conveniences are grouped to-day under the name "public service" corporations. Long before the term came into so common use, it was embodied in purpose and in action by the plans and the methods in which both the character and the activities of Mr. Hill found representative expression.

## CHAPTER TWENTY-THREE

## RAILROAD STRUGGLES IN THE FAR NORTHWEST

IF A line be drawn from Spokane to Seattle and Tacoma, thence to Portland and thence back to Spokane, a glance at the map will show that within this area lies an immense and fertile section. The southern zone of it has high strategic value. Its lower boundary is the Columbia River, with a water-level grade to the sea. Stretching away southward and eastward from the junction of the Columbia and the Snake, the valley of the latter runs through Idaho and into the territory of the Union Pacific. After leaving Butte and Garrison on the north and Ogden and Pocatello on the south, this is the last available route east of the coast mountain ranges for a connecting link between the northern and the central transcontinental lines. To understand the whole situation and its problems, a brief review of transportation conditions in this country is necessary.

At the mouth of the Columbia River had been located the trading station of the earliest commerce of the North Pacific Coast, called Astoria, after John Jacob Astor, its presiding genius. The Columbia and the Willamette were at that time and for long afterward,

just as the Mississippi had been for its valley, the sole means of communication with the interior. In 1860 the owners of many lines of steamboats on these two rivers united their interests to form the Oregon Steam Navigation Company. Jay Cooke & Co. bought it out in 1871 in the interest of their Northern Pacific project. When it should be completed they desired control of all transportation in the Columbia Valley. After the smash, with indefinite postponement of the railroad enterprise, Portland interests bought back control of the company, which was secured for a song. It enjoyed a monopoly of steamboat traffic. In 1872 the Oregon Steamship Company incorporated. Then came Henry Villard, with his imperial notions of transportation and his huge projects. He resuscitated and expanded the earlier plans. In 1879 he formed a new company, not only to take in all existing steamboat companies and the railroad lines around the Cascades, but also to build a railroad line from the Lower Cascades of the Columbia, the limit of navigation without transfer and portage, up the south bank of the river to its junction with the Snake. Thus was born the Oregon Railway & Navigation Company, whose underlying purpose was to occupy and command exclusively the valley of the Columbia and the country to which it gave access. In 1881, under the presidency of Mr. Villard, it had 178 miles of railroad in operation, 537 more projected, and was making money rapidly.

This property came into contact and saw a possible conflict of interests with the Northern Pacific. The latter company had raised enough cash to continue the construction of its line. It owned and operated the line from Tacoma to Portland, which was one of its first pieces of construction. A struggle for control of the Columbia River country was in sight. Mr. Villard realized its importance and the essential place in it of the Northern Pacific. In 1881 these different interests were for a time consolidated by the famous "blind pool," engineered by him. With the $8,000,000 subscribed for his venture, the character and purpose of which he did not disclose until the time for action came, he organized the Oregon & Transcontinental Company. Money came pouring in. Controlling already the Oregon Railway & Navigation Company, he bought a controlling interest in the Northern Pacific. The Oregon Railway & Navigation Company having built to the junction of the Columbia and the Snake, the Northern Pacific built its line eastward from Wallula to Garrison. For a moment it seemed that the railroad interests of the Pacific Northwest were not merely harmonized, but closely cemented into a single body. But the driving of the last spike on the Northern Pacific, which Mr. Villard made an international occasion and celebrated with extraordinary éclat, was a prelude to misfortune. The edifice of his dreams crumbled. The managers of the Oregon Railway & Navigation Company

leased it to the Union Pacific; and, in 1889, after a lot of skirmishing, all the stock of the company formerly held by the Oregon & Transcontinental was sold to the same company. At this time the Union Pacific had more fear of the Northern Pacific than of any more northerly line as a competitor. Their territories overlapped. And it was to hold the Northern Pacific better in check, that Mr. C. F. Adams, President of the Union Pacific, made the agreement with Mr. Hill by which the latter secured trackage rights for the Great Northern from Spokane to Portland. The three companies now all had some rights in the Columbia Valley, and all could enter on some terms the city on the Willamette.

Meantime some other enterprises promised to exercise a large influence upon the future. Of course a direct rail route between Portland and San Francisco had not been overlooked; and two companies had been organized, one to cover the Oregon and the other the California end. The difficulties in construction, as any one will appreciate who has ever traversed the "Mount Shasta Line," were enormous. But as early as 1873 the northern company had built 200 miles of track south from Portland. Ten years later the projectors had not succeeded in getting through the Siskiyou Mountains, and the company was leased to the Oregon & Transcontinental. The Oregon Short Line Company was to occupy the valley of the Snake. By 1884 its lines were connected with those of the

Oregon Railway & Navigation Company, thus furnishing a through line from the Union Pacific, at Granger. In 1887 it took over a lease of the Oregon Railway & Navigation Company. In 1889 a consolidation of these properties had been made under the name of the Oregon Short Line & Utah Northern Railway Company, including eight separate railway companies. The work of evolution had been accomplished. Control of the united whole was owned by the Union Pacific, with which everything as far north as the mouth of the Snake River was naturally and inseparably connected. The whirlwind of receiverships in 1893 carried the whole flimsy combination before it. It mattered little that the Union Pacific had a majority now of the stock of all these companies, for the Union Pacific itself was a formal bankrupt. And each of its chickens followed the old hen with a little receivership of its own. In 1896 the Oregon Short Line operated more than one thousand miles of line. It must be reorganized by somebody. What was to be the place of these properties in the growth of the northwestern territory? The question was full of interest and possibly of menace to Mr. Hill.

Meantime a new force had appeared which was to play a tremendous part in the future development of all these properties and of the country. A plan had at last been matured for the reorganization of the Union Pacific; acceptable both to the capitalists who had been

interested and to the United States Government, which had rejected one scheme after another because they did not offer suitable provisions for the redemption of the bonds that it had guaranteed. The receivers of the company were discharged. The management was to be revolutionized. Mr. E. H. Harriman, at first head of a new New York firm of bankers and brokers, later appearing in the railroad world as the controlling power of the Chicago & Alton, came to the front in the Union Pacific. At the outset an instrument of the great financial houses which stood behind the reorganization, he presently brushed them aside and became as truly the master spirit of the whole as if he had bought the property personally and paid for it out of his own pocket. Who left him out would reckon ill. In 1897 he was in control of the Union Pacific. These bits of roads in the debatable land of the Pacific Northwest would be reorganized. He saw, of course, their value to his system. The question was not so much whether he would permit them to pass into other hands as whether he would have a vision large enough to see that they could serve him and others at the same time; whether he would ask for peace or war.

One will read this history to no purpose if he starts with the idea that Mr. Hill was greedy for railroad power and control by any method and at any cost. He was, first of all, a builder and manager of railroads, and a builder of the empire which railroads

alone could create and by which alone they could be sustained. But the man who studied to save a fraction of a mill per ton per mile did not change his character when he contemplated the occupation of new territory or the capture of new business. If he hated like poison, as he did, an empty box car on one of his trains, deeming the hauling of "empties" a proof of bad management somewhere, he hated with the same intensity and for the same reason the building anywhere of a mile of unnecessary railroad. To lay two rails where one could do the business was to his mind an economic sin and a confession of economic incompetence. It was evident to him at this time that the two northern transcontinentals must have the use of the Columbia Valley outlet. He was as certain of it as he was fifteen years later when he built the Spokane, Seattle & Portland over that route. But he did not want to build it now. What was the use? For the existing lines were equal to everybody's needs, if they could be put at everybody's service.

For years Mr. Hill had been accustomed to weigh this matter among future possibilities. He was held back from any movement to purchase and control by the same reasons that kept him from acquiring the Northern Pacific. The Oregon Short Line was a poor proposition financially. It was loaded with debt. To take it would be not only to swell the burden of recrimination against monopoly that followed participation in Northern Pacific affairs, but also to stir up unnecessary hos-

tility among those who were interested in the property itself; those who were managing the affairs of the Central and Union Pacific. This ligament between the northern and the southern belts of the West could not be touched at one end without transmitting a thrill of apprehension to the other. Once more, what was the use? These two groups of transcontinentals need not be hostile. They might just as well work in harmony, each in its own territory, as the Great Northern and the Northern Pacific. The Oregon Railway & Navigation properties could easily accommodate all the common needs of both. It would at the same time get enough business from them all to pull it out of the hole. Mr. Hill's eye swept the whole horizon and saw that the thing to do was not to build unnecessary railroads and fight unnecessary battles, but to neutralize common territory. He expressed himself fully and freely in the following letter to Mr. E. D. Adams, March 28, 1898:

"I have always felt that the Oregon Railway & Navigation property could be used by all interests going to points in Oregon from the Union Pacific country served by the Northern Pacific and the Great Northern by way of Spokane Falls or Wallula better than in any other way. This would avoid the construction of additional lines in that country. The Great Northern Railway has, I hope, about completed the construction of all lines beyond what may be necessary to develop local

interests along its line. Our connection with the Oregon Railway & Navigation at Spokane Falls, as long as it can be used under fair conditions, will give us reasonable connection with Portland and access to the Palouse and Walla Walla country. Our line as far as Spokane is the shortest, our grades are lower, and our cost for construction much lower than any other line. We have no other connection with the Palouse and Walla Walla country than that furnished by the Oregon Railway & Navigation, while the Northern Pacific has a line of its own into that intermediate country. As long as we can have access to and from that country by the Northern Pacific or the Oregon Railway & Navigation, I see no reason why we should not be satisfied; but it would not answer for the Northern Pacific to acquire lines of the Oregon Railway & Navigation north of the Snake River for its own use, excluding us from that country. The country south of Spokane Falls is a rich country and is at present abundantly supplied with railroads, and our company hopes that it can always have access to and from that country on fair and equitable terms. Otherwise we might be compelled to build a short line into that region, which could be done for a very small part of the cost of the lines already there. We do not wish to build any such line, and hope we never will be compelled to; at the same time, having a line to the Pacific Coast and realizing the value to our company of a connection that will in

some substantial way always give us access to and from that country, we have no idea of being shut out of it. . . . The Oregon Railway & Navigation, like the Northern Pacific, is overburdened with over-capitalization, and I believe as time goes on it will be more and more necessary to do everything possible to prevent the construction of competing lines, built with money and intelligence, which can unquestionably be done at a cost that would put the existing lines at a very great disadvantage, if not going so far as to entirely prevent them from taking their places as dividend-paying properties to the extent that they might be affected by such construction."

That this was no pretence, no lure of peace to cover secret war, is proved by another letter of August 2, 1898, to Mr. Morgan. If he could have his way, there would be no fight with the Union Pacific, and no new railway built down the north shore of the Columbia, paralleling that already in operation on the south bank; just as there would have been no Northern Securities if he had not been opposed in carrying out his economic interpretation of fair competition by groups, and in providing the means necessary to apply it to the development of the country. One who reads carefully and ponders thoughtfully the last sentence of the letter which follows will understand that the policies of Mr. Hill were based on a deep philosophy; which embraced the interests and contemplated the prosperous future

of all the railroads and all the communities of the Northwest, and which sought the common good of communities and railroad systems alike:

"The seven states between Lake Superior and the Pacific Ocean, through which the Great Northern and the Northern Pacific both run, are practically all spoiled by railroad construction far in advance of what is actually necessary, and they have come to think that the railroads are making enormous profits out of the construction of new lines. With a settlement, which I hope will soon be made, between the Oregon Railway & Navigation and the Northern Pacific and the Great Northern the race for railroad construction and over-reaching each other by the different companies should be at an end; and let the different communities learn to use the railroads they have fairly and reasonably before they succeed in getting additional mileage or more investments. If it is once understood that no railways will be built or undertaken unless there is a certainty of a reasonable return on the money invested, and the various communities desiring railways are forced to realize this condition, public sentiment will take an entirely different turn and railways will occupy a different position from what they do at the present from the mad rush to occupy territory."

Railroad control in this section of Washington and Oregon assumed a prominence out of all proportion to the share of public notice that it received

at the time. To it were devoted more of the thought and activity of Mr. Hill than any one except those immediately associated with him and familiar with his plans would believe. Here, in fact, the knot must be tied which would unite the three great railway systems of the West in permanent harmony and coöperation; or else here war would begin and continue until somebody was beaten or a truce had to be declared. To determine beyond future controversy the status of the property usually spoken of as the Oregon Railway & Navigation Company was more imperative at this time than to open new territory. There could be no peace or security until its relation to the northern transcontinental systems had been definitely fixed. The place which this occupies in the correspondence of Mr. Hill in the years down to the end of the century proves that study of the problem was a considerable factor in the work he was labouring to bring to completion. There was no use in beating about the bush. So Mr. Hill took up the matter directly with Mr. Harriman. It had, of course, been the subject already of some negotiations and many tentative suggestions. Now Mr. Hill set out his views in detail and in writing, so that there could be no question of what he would prefer and what he was prepared to do. This personal letter to Mr. Harriman is immensely interesting, not only as giving the results of his study of the whole situation, but as an illustration of his power of condensed

and luminous statement. It was sent first to Mr. Schiff with this advisory note:

"I am sending you under cover a letter which I have written to Mr. Harriman in regard to O. R. &. N. matters, which, after reading, please hand to Mr. Harriman. I have endeavoured to give him a plain statement of the case as it appears to me. You will see why I want to include Northern Pacific. I do not think they should be left out, to build lines as they might find occasion to, while we would be bound up under the Navigation Company's load of $50,000 per mile for an old road, poorly laid out, and upon which a large expenditure of money will have to be made. It costs the Navigation Company about the same per ton mile now as the Great Northern receives from the public as its entire freight revenue."

The letter to Mr. Harriman, complete, dated September 12, 1899, follows:

"The change in plan of operation made necessary by the sale of the Northern Pacific's holdings of Navigation Company preferred shares, and that Company's withdrawal from the agreement, leaves the situation as regards the relations of the Great Northern and the Navigation Company in a position of too great uncertainty to be allowed to continue for any length of time beyond what is necessary to re-arrange a basis for jointly operating the Navigation Company's lines. As you are well aware, I have always considered it to

be for the best interests of all concerned that the Union Pacific, Northern Pacific, and Great Northern should be placed as regards the Navigation Company where the interests of the first-named would be best served by a plan providing practically for the joint ownership of the Navigation Company in such manner as to secure to it the support and benefit of all the traffic of the other three companies. During my recent conversation with you on the subject, you spoke of the desirability of the Union Pacific having its own line to Portland and the Pacific Coast. The same is true of the Great Northern, and to a less extent of the Northern Pacific. I think it goes without argument that each should and will have access to Portland and the Pacific Coast. I can speak with certainty for the Great Northern in that regard. An arrangement for all three companies to use the Navigation Company's lines would necessitate conditions of a permanent character, giving to each company as nearly as may be practicable under all the circumstances the same rights and benefits as would accrue under separate lines owned by each. This would include equal conditions applying to business east or west through the Huntington and Spokane gateways, and an equal division of the business which could properly be divided between the three companies. Local business of each of the three companies to and from the lines of the Navigation Company would readily take care of itself, as also the local business of the Navigation Company.

"I think, with such an arrangement as I have outlined, the Northern Pacific would be willing to arrange for the business of the Union Pacific to go over its lines between Portland and Puget Sound. Possibly the better arrangement would be to include the Portland and Puget Sound business in the general arrangement.

"In looking over this plan, it may appear to you that the Great Northern is assuming a greal deal when it has not a mile of railroad at this time in the territory occupied by the Navigation Company, and the Union Pacific has a large majority through the Short Line, of the shares of the Navigation Company, but I may urge on the other hand that the Great Northern would bring to the Navigation Company the valuable traffic of about 5,500 miles of railway in a new country which is very rapidly growing, and most of which the Navigation Company could not secure in any other way. This also applies to most of the Northern Pacific's 5,000 miles. The Great Northern and the Northern Pacific would also become in a measure guarantors of the bonds and stocks of the Navigation Company to the extent of whatever sum was agreed upon as the value of the Navigation Company, and this sum would be in any event not far from twice as much as it would cost to duplicate the property to-day. In other words, the owners of the Navigation Company would be protected in the occupation of the country, substantially without competition or diversion of the business, which

one or more lines would greatly reduce and ultimately in my opinion force a reduction of the capital represented in the Navigation Company's property. I know that country fairly well, and I think that with five million dollars I could build a much better line from our road into Portland; and with, say, two million more, reach the most productive sections of the Navigation Company. This would call for an annual charge of, say, $300,000, which I feel very sure is much less than we would pay the Navigation Company for doing our business under such a plan as I have outlined.

"I sincerely trust that you will take what I have said herein as a plain statement of the case as I look at it, and I also ask that you will endeavour to have the matter brought to an early conclusion, to the end that we may all shape our affairs to work to a common end and bring about such an arrangement as will be of permanent good to all concerned. If it is the wish of yourself and friends to hold the Navigation Company for your own use, and not to make it available for the Northern Pacific and ourselves, you are certainly in a position to do with it as you may deem best, or otherwise, and I only ask that we be informed at as early a date as is convenient whether we shall look forward to some such arrangement as I have outlined, or whether we shall take the matter up outside of the Navigation Company. I have included the Northern Pacific, for the reason that I would be unwilling to assume the

burden of the Navigation Company jointly with the Union Pacific and leave the Northern Pacific free to divide the traffic as it would be able to do with an investment so much less than the Navigation Company's that the latter would be unable to meet it. I hope you will consider this fully and entirely on a business basis with a view to enabling us to arrive at something practical when I am again in New York, which I hope will be about the middle of October."

This statement covers the case completely. It was an honest, businesslike presentation of the facts, not without occasional acidity and disclosure of possibilities of trouble if anybody wanted to make trouble. It undoubtedly affected profoundly the views of Mr. Harriman. At the same time, the management of the Northern Pacific was not altogether tractable. It was a big corporation, with big men besides Mr. Hill behind it. Some of them, not being steeped in practical experience as he was, did not grasp the situation as clearly. So Mr. Hill had to go into the matter patiently again, writing to one of the New York parties as follows, a month after the letter to Harriman:

"The rights and obligations of the Oregon Short Line and the Utah Northern Railway under a certain contract, dated October 13, 1890, between that Company and the Great Northern, to which the Northern Pacific has succeeded, call for the building of the Portland and Puget Sound Railway. The Great Northern

Company is and has been prepared, and is now willing to proceed with the fulfillment on its part of that contract. The object of the Great Northern in making the contract was to secure for itself a railway connection from Puget Sound to Portland and intermediate territory. In conversation with Mr. Mellen, President of the Northern Pacific Company, on the subject, he expressed a willingness to enter into an arrangement with the Great Northern whereby the latter could secure for itself substantially what it would have, were the Portland and Puget Sound Railway completed. Such an arrangement would be satisfactory to our company and would save us the construction of about 185 miles of railway, with some expensive bridges across the Columbia and other rivers. If the Northern Pacific and Great Northern make such an arrangement on a basis which is mutually satisfactory, I see no reason why it cannot be arranged to allow the Northern Pacific to use any part of the property of the Portland and Puget Sound Company which will improve the Northern Pacific's line. . . . I am pushing the question of a joint control of O. R. & N. by the Northern Pacific, Union Pacific, and Great Northern, to the end that we may all have the use of the Navigation Company's lines on fair and equal terms in perpetuity. This would undoubtedly be better than to build independent lines to Portland, if it can be done on a proper basis; otherwise it would be better to build."

The progress of events, the irresistible forces of railway evolution, were working to the same end. They were soon to be crystallized and directed to a visible material realization by the sudden and unexpected coup which came near bringing the whole painfully constructed work to ruin. Mr. Harriman was the instrument that fate chose to accomplish its purpose; and his brilliant and almost successful attempt to snatch the Northern Pacific from the possession of the parties to the London agreement roused everybody to the dangers of the situation, and was one reason for the formation of the Northern Securities Company. But, in view of the facts related in the last three chapters, it must be realized that this assault was merely the match that fires a train laid long before and ready to produce a terrific explosion. It is not an idle speculation, it is scarcely short of a statement derived mathematically from given premises, that some such concern as the Northern Securities, some unification of control and centralized expression of the right to direct these common interests in a common work to a common end, would have come into being, if their directors had been young men instead of well along in years, if the Union Pacific had remained a bankrupt debtor to the United States Government, and if Mr. E. H. Harriman had never been born.

## CHAPTER TWENTY-FOUR

### AGAIN THE ORIENT BECKONS

OF THE many and varied activities of Mr. Hill at this period, two are especially pronounced. First, he was studying the trade map not only of the United States but of the world, maturing combinations that should point toward efficiency and completeness. Along this line the preceding chapters have followed him in the necessarily close connection established and maintained between his aims, the fortunes of his system, and the reorganization of the Northern Pacific. For the present there was at least a community of interest of the kind and to the extent stated in the explanation of the circumstances that created it. Second, there was the old, original line of progress, on which he never halted; the expansion and scientifically directed evolution of the Great Northern system and of the country and interests dependent upon it. Continuity of narrative has required exclusive attention for a space to the inter-railroad relations of the Northwest from the time when the Great Northern was opened for traffic to Puget Sound. It is necessary now to return to 1893, the date of that event, and to set out some of the other labours and plans of Mr.

Hill to make of the Great Northern a traffic instrument worthy to be the child of his efforts and his dreams.

Here, again, are two distinct movements which must be followed separately; the phase of intensive development in the traffic of the country along the line, and the phase of creation and increase of through business. Each demanded the study and attention that every successful business man gives to his operations. Neither was neglected or disappointed. Considerable has already been said, in the earlier portions of this history, of measures taken by Mr. Hill to develop local territory and create that local prosperity which must always remain the foundation of success for his railway enterprise. That subject will be taken up again in the next chapter, covering the more important developments of the years between 1893 and 1900. First, however, the broader outlines of the picture must be sketched in. For here is a new event, revolutionizing in many respects the old situation—this appearance of the Great Northern as a factor in transcontinental business, and a sharer in traffic developments that neither originated nor terminated in its own territory. Increased through business would come from two sources: the development of a larger traffic between the Pacific Coast country and other portions of the United States, and the creation of a larger commerce between the United States and the countries on the other side of the Pacific. The former, being nearest at hand, first received attention. For the most

part the tale can be told in the words of Mr. Hill; taken sometimes from official records, sometimes from one of his public addresses, sometimes from an article published by him in the *World's Work* for August, 1905, explaining the beginnings and possibilities of trade with the Orient. From these sources, with a line or two as a connecting link here and there, the great idea can be made clear:

"The traffic in that country to be developed—it was all to be developed—must come from the natural resources of the country. At the time the road was completed, and for a short time after, the west-bound merchandise furnished more than enough empty cars to carry the east-bound traffic. It was a country very sparsely populated, and from the entire line the traffic had to be what the country could produce. I found there nearly four hundred billion feet of standing timber, the best in the world. It had no domestic market. Before our road was built the rate on lumber was ninety cents a hundred pounds, and that was practically prohibitory. They used to cut this timber down and let it run out to sea to get rid of it. I called the representative lumbermen of the Pacific Northwest together. They told me they could ship their lumber east if we made them a rate of sixty-five cents a hundred. I said that they could not move any large amount if they paid more than fifty cents. I offered them a rate of forty cents on fir and fifty cents on cedar, and these rates

went into effect. That built up a large trade; portions of the lumber going even to the Atlantic Coast, but the great bulk of it being distributed throughout the interior West, north of St. Louis and the Ohio River."

This was pure traffic creation; the calling into existence of commerce and transportation that did not exist before. It began because there was more freight going westward than eastward over the Great Northern line. So long as that condition existed, the cars that carried this surplus had to be hauled back empty. To Mr. Hill an empty car was a thief. It was stealing from the road the sum that would have been received if it had been filled with revenue-paying freight. It must be filled; that was all there was to it. He set himself to solve this problem, just as he made every employee help solve it all over his system. He solved it here by taking lumber to a distant market, at a rate which would have been disastrous if applied to other commodities or to general traffic, but which would be clear gain if full cars took the place of empties. The lumber moved. Pretty soon traffic east and west balanced each other. Then the other beam of the scale began to tip. After three or four years this business grew beyond all expectation. Fir lumber came into great demand, as the interior of the country was settled. "By building up the lumber trade, seeking markets for it and making a low rate," said Mr. Hill, "we developed the lumber trade very

fast, faster than the merchandise trade of the people of Washington, even with the addition of Alaska and Honolulu. The result was that we had more cars of lumber to carry east than we had full cars going west. To make them equal again we had to look for more tonnage from the East."

He had not waited until this emergency confronted him to look about for sources of more traffic. He believed that a great business could be built up with the Orient. This is what he had already done about it: "I sent men to Japan and China and kept them there, one man for more than a year. His business was to get a manifest of every ship that entered or left a Chinese or Japanese port, if he could; to find what the exports and imports of those countries consisted of and where they went." The low rates on lumber required a heavy tonnage, and loaded cars in both directions, if it were to pay anything more than cost of carriage. He was convinced that the Orient would supply a vast amount of west-bound freight for his railroad, if markets could be established there. He went into the matter with his usual thoroughness. He sent agents to China to study the food problem; and to India to investigate not only that but also the possibility of increased production there, and the danger of India's wheat supply as a possible competitor in the Chinese market, assuming that such a market could be built up. The manifests of ships carrying traffic to and from the

Orient were studied and tabulated. Agents in this country quietly visited home sources of production from which the Japanese and Chinese could obtain as advantageously the things they were buying elsewhere. He felt sure that the people of China and Japan could be made good customers for the wheat and flour of the United States. "I found," he said, "that if the people of a single province of China should consume an ounce a day of our flour, they would need 50,000,000 bushels of wheat per annum, or twice the Western surplus." These people were poor, but if only a small fraction of them could be brought to substitute wheat flour for rice, it would mean the creation of a great, new market. He intended to make such freight rates that they would get it cheap enough. Always prominent in his mind was the idea of what this would mean to the farmers of the country along his lines. Like most of the bows that he drew, this one had two strings to it. To send a surplus of 70,000,000 bushels of wheat to the Orient at that date would, according to his calculation, raise the price in Minnesota and Dakota twenty cents a bushel.

In a year or two the situation resolved itself to his satisfaction; and measures were taken for what, if left unimpeded, might have become one of the greatest steps in the commercial development of the United States. In 1896 a contract was concluded with the principal steamship company of the Japanese empire, the Nippon

Yusen Kaisha, fixing such rates between Seattle and the Orient as would enable the Great Northern to gather up freight from all parts of the United States as far east as Pittsburg. Again let Mr. Hill tell how it was done. Some influential business men of Japan were in this country and he met them:

"They were interested in securing rails for their railways. I asked them where they were going to get their rails. They thought they would get them either in England or in Belgium. The Belgian rails would come from Antwerp, the English rails from Middlesborough. I asked them, as they were going to stay here a day or two, to let me see what could be done for American rails. I immediately cabled to my friends in London and got quotations for Antwerp and Middlesborough rails and the best charters to Yokohama. I remember that they could be laid down at about $29. I telegraphed to Chicago. I told them that if they would make a rate of $19.50, we would give them a rate of $8 a ton—forty cents a hundred—from Chicago to Yokohama, which would be $1.50 a ton lower than the English or Belgian quotations. After some hesitation they made the rate and got the contract for 15,000 tons.

"Some Japanese interested in the cotton trade were passing through. Our men in the field had reported the amount of cotton spun in Japan, and the fact that the raw cotton came mostly from India. This was a short staple cotton which made an inferior yarn and

sold at a low price. I got these gentlemen to try a small shipment of American cotton, with the guarantee that, if it did not prove profitable to mix our long staple with the short staple of India, I would pay for the cotton. The result was satisfactory, and the cotton trade grew very fast. We made a rate from Minneapolis to Hong Kong that would enable the Chinese to ship flour. We found the necessity of permanent rates. We could not build up a great permanent business, extending across the continent and even across the ocean, on the basis that to-morrow the rate might be changed or the party with whom we were working to reach the different points of production or consumption had some other interest or some greater interest elsewhere. It was necessary that we should have some reasonable expectation that we could control the permanency of the rate and be able to reach the markets."

To read this is to be present at the birth of a great idea; to watch the evolution of a world-wide plan. Mr. Hill started originally to get business for the Great Northern. First, he needed east-bound freight, and created a new market for Washington and Oregon lumber. That grew so fast that he needed west-bound freight, and created a market for American products in China and Japan. To distribute the lumber widely where it was needed, and to gather up the cotton and the steel that the Orient wanted, he had to go far afield through the interior and southern sections of the United

States. All this business depended on low and settled through rates. He must be in a position to maintain joint rates, as well as rates on the Great Northern alone. Therefore he must have an ally with lines which would give access to Chicago and St. Louis, and also cover the immense central region. The Chicago, Burlington & Quincy would best answer his purpose. A glance at the map will show that the territory served by that system, added to the section traversed by the northern transcontinentals, forms a giant cornucopia whose body extends from the Great Lakes to the Ohio River, contracts as it stretches west and northwest, and pours its contents through the relatively narrow orifice of Puget Sound and Portland.

This shows as by a mathematical diagram the practical necessity of the purchase of the Burlington system, to be described in a succeeding chapter. The idea itself had been germinating for a long time in the mind of Mr. Hill. The practical benefits, the real urgency of it as a matter of business, came to the surface with startling distinctness through the scientific effort to create new traffic for the new transcontinental line. Although it was to be some years before an actual crisis should reveal the desirability of binding all the agencies engaged in a common work into one corporate unity, the intelligent observer of events will not fail to see here another root of the plan that afterward developed into the Northern Securities Company. So true is it that the genesis of

conceptions and acts which are explained in their day as the outgrowth of some Machiavellian scheme for seizing power and wealth can often be traced far back through the years to the honest paternity of a wise business policy. Events bear most great men at some time in their lives to a port where at first they never dreamed of casting anchor.

Mr. Hill's ideas carried far. His venture in taking rails from Chicago to Yokohama, in competition with the mills of Belgium and Great Britain, meant more than getting business for the Great Northern. It was the casting down of a gage of battle. The established trade route from Antwerp and Liverpool to the Orient was through the Suez Canal. From earliest time such commerce from Europe to Asia as could not be carried on by land had sought the water route around the Cape of Good Hope. To shorten this the Suez Isthmus had been cut through. The Suez route now met a bold challenge. Mr. Hill had demonstrated the possibility of taking this business away from Europe by reversing the direction of the needle on the trade compass. It would be almost like changing the course of one of the mighty ocean currents, if human invention and enterprise should succeed in reversing an immemorial trade movement of the world; if the sea route between Orient and Occident should slowly rotate from the Eastern to the Western Hemisphere.

This possibility lay at the back of Mr. Hill's mind

when he conceived the idea of building steamers larger than the world's merchant marine had ever seen, to ply between Seattle and China and Japan. By these he could lower the rate across the Pacific at his will. They were to be the first of a fleet called into existence to answer the needs of a new commerce. With a promising business already started between the United States and the Orient, a powerful bid could be made for a considerable share of the trade that had gone hitherto by way of Suez. No one can could tell to what dimensions this new venture might swell, or what changes it might bring about in the business relations and transactions of the world. Anticipating a little the chronological order of events, the history of this assault on the trade of the Orient and the movement of world commerce may be completed here. In 1900 the Great Northern Steamship Company was formed, with a capital of $6,000,000, and contracts were let for two mammoth steamships, the *Minnesota* and the *Dakota*, to ply between Seattle and Yokohama and Hong Kong. They were to cost $2,500,000 each, and to be the greatest freight carriers ever floated. The *Minnesota* was launched in 1903. Her length was 630 feet, beam 73.4, displacement 38,000 tons, and capacity 28,000 tons. The following year saw the launching of the *Dakota*. The mayor of St. Paul, in a telegram of congratulation, emphasized again one feature of all Mr. Hill's big enterprises: "Our pride in your great achieve-

ment is rendered more complete by the reflection that it is entirely the product of individual genius, unsupported either in promise or performance by the aid of government subsidy."

So long as business was left unshackled, it did not disappoint expectation or refute calculation. In the ten years from 1893, when the Great Northern reached the Pacific Coast, to 1903, the exports of the customs district of Puget Sound increased 540 per cent. In a single year the exports of cotton piece goods multiplied by nearly five, and those of raw cotton by more than three. The hard work had been done. The market was opened. The machinery had been set in motion. Intelligent public coöperation would do the rest. Mr. Hill said at the time: "The future of this business remains to some extent a matter of conjecture. If all the railroad forces, the Government, and the laws unite to help this traffic, Puget Sound will be the greatest seaport of the Pacific. It will be the clearing point for the biggest volume of tonnage going to the Orient and coming from it. Presuming that Japan will come to be a great commercial nation, American trade on the Pacific Ocean should soon rival that on the Atlantic." Had this definite and practical plan for trade development been carried out without change or interruption, the effect upon the business of the United States would have been beyond calculation. It never met its final test. Legislative enactments and official interferences

by the political authority of the Government doomed it to substantial failure almost as soon as it had begun to show its promise and its power. The business must be taken away or kept away from European competitors. Low prices alone could do it; and low prices were conditioned on extremely low rates of carriage. Mr. Hill had foreseen that and provided for it. His plan rested upon it as a fundamental postulate. What he had not foreseen and could not meet was the conditions imposed subsequently by laws regulating domestic transportation, but applying as well to joint through rail and ocean rates. The following statement of the practical embargo put upon his work is from his "Highways of Progress":

"If an American line meets a low rate, because its competitor is free to make a cut and has done so, the joint steamship and rail lines that do the work between them must dispose of the reduction somehow. If the steamship bears it all, then it will have to run at a loss and soon go out of business. Freight cannot be carried eight thousand miles at a comparatively low rate without spreading that rate over the whole distance. But if a portion of it is allotted to the railroad end, then, first, there is great delay before it can become effective; and, second, since this reduced rate is published and under supervision, it cannot be raised for another thirty days; and, third, if it is lower than the rate charged to the same destination on freight consigned to local mer-

chants, the Interstate Commerce Commission will be appealed to, and eventually the railroad will be ordered to give to local shippers the same rate that it has accepted to that point as its share of the transportation charge on export business. The minimum rate invariably becomes the maximum rate. And then the railroad will go out of business. So the application of domestic regulation to export rates amounts to just this: that one partner or the other must work at a continuing loss. Naturally, Oriental business does not expand."

Against the regulations laid down by law for fixing rates, and against other regulations which increased, from time to time, the cost of operating ships, even Mr. Hill could not contend successfully. He could and did calculate the natural elements of his problem. His solution met their conditions to a nicety. Against the political element, against hampering legislation and the certainty that it would grow rather than decrease in volume and stringency, no wisdom and no preparation would avail. So Oriental trade, as he had conceived it, languished. He built no more ships for trans-Pacific service. But in the conception and the scheme just described two elements were united. Mr. Hill was the promoter and captain of commerce, eager to extend her agencies and her services to every corner of the world; the traffic man whose empire aimed to include sea as well as land in its imperial sweep. He was also the sincere American,

whose pride took the bit in its teeth when he saw the shameful decadence of the nation's merchant marine. He had an ambition to restore it to the high estate of those glorious days when our clipper ships rode proudly in all the harbours of the world. At the launching of the *Minnesota*, he used the following words,—no idle boast, coming from his lips: "With that great vessel out there riding at anchor, I don't want to be told to drop any bundle. Moreover, I now give notice to all comers that I will not drop it. Once the American merchant marine was the envy of the nations, and with progression and liberal treatment at the hands of the Government our flag shall again be supreme on the high seas." He would not and did not "drop the bundle" for any competitor; but in all his undertakings the mandate of his country, whether he thought it wise or foolish, just or unjust, he never hesitated to obey.

In his last years he was consulted constantly and wrote and spoke many times on the best methods of building up our foreign trade. Less than three months before his life ended he made the following lucid and succinct statement, which sums up the conclusions of a lifetime of study and experience upon the relation of a country's railways to its export trade:

"The railroads do not own the trade of the country, or in any sense control it. They transport the commodities of which a commerce already established is made up. Their representatives solicit business, of

course, but business already agreed upon between the principal parties to it. To create new business, which is what extending our foreign trade means, is a different function. Under existing conditions, the railroads can do little toward that. The things which they might do are forbidden by law.

"It is well-known that the wonderful extension of the foreign markets of Germany in the years preceding the war was brought about largely by coöperation between the Government, the business interests, and the railroads. These being either actually or virtually in partnership with the State, their interests were treated as identical. It was desirable to build up Germany's exports, so the railroads were asked to help. Whatever rate might be necessary to lay down German products in outside markets at a price lower than competitors asked was not only approved but required. The State gave its authority and, if needed, its material aid to the transportation companies in creating and maintaining markets abroad.

"In the United States, important lines of foreign trade that were once established have been cut off by exactly the opposite policy. The railroads are forbidden to make competitive export rates. It was long ago made impossible for them, under the law, to give any assistance through cheaper transportation in selling American goods abroad. It would be possible for them to build or acquire steamship lines to be

run in connection with their systems; but this also has been made illegal.

"At present, therefore, the laws of the country offer an effectual barrier to any activity of importance or value on the part of the railroads to build up American foreign trade. That trade is strictly competitive, and cannot be persuaded or cajoled. It must be captured by offering it better terms than it can obtain elsewhere. The experience of other countries seems to show that community of effort between the Government and the railroads can go a long way toward securing it. Until some such understanding is reached or permitted here, the influence of the railroad companies on the growth of foreign commerce cannot be made of much importance."

His plan for new alignments in world's commerce and its routes was one of the few visions of Mr. Hill on a grand scale which he did not live to see accomplished. At the beginning and at the close of his active life the Orient receded and eluded him. Yet the thought was worthy of the man. Like all his plans, it was constructive. His ideas centred less on rivalry with existing instruments of commerce in this country than on the making of new markets and the opening of rivers of trade where before only a few rivulets trickled through the arid soil. All were fecund. They had within them the creative impulse. The progression from each to the next is as natural and the connection as close as that between the trunk of a tree and its

branches. No matter what the hindrance, how deep the disappointment, so far as his own work was concerned, the impersonal and patriotic dream of an American control of the world's commerce never left him. He believed that, with free ships and freedom from onerous regulations, we might again rule the seas commercially. In view of the place which this thought occupied in his mind, it is an interesting and significant fact that the last book he read, finished but a few days before his death, was "The Heritage of Tyre."

## CHAPTER TWENTY-FIVE

### MASTER OF METHODS AND MEN

THE wide scope of Mr. Hill's action and influence during these years having been outlined in the preceding chapters, many details of the picture remain to be filled in. One of the essential elements of his greatness was that he never let the wood obscure his clear sight of the trees. These plans might work out well or ill; but there was nothing doubtful or passing about the fact that the two thousand miles of railroad line between St. Paul, Duluth, and Seattle, with its other thousands of miles of branches and feeders, must be taken care of. He laboured to build up local business as tirelessly as to create through business. The country must be settled. Farms must be tilled. New enterprises must be encouraged. Much more of his untiring energy and his capacity for sustained effort were devoted to this than to more ambitious projects. This railroad system was his child; and while he might project for it splendid alliances and a shining future, he took endless pains that it should be well fed and cared for in the immediate present.

It had been common belief that the construction of the Great Northern to the Pacific Coast, like the earlier

building of the Northern Pacific and the Central and the Union Pacific, was the fulfillment of a personal ambition and a theoretical estimate of the future, without any basis in existing business conditions to justify it. The powerful help of the Federal Government had not saved those undertakings from the inevitable misfortunes of one born out of due season. Some of the best friends of Mr. Hill saw only a country whose development had hardly yet begun, and a traffic from coast to coast which was still a bagatelle. Its railroad revenue must now be divided between two rivals, when the whole of it seemed insufficient to support either. That way, they said sorrowfully among themselves, bankruptcy lies. No doubt bankruptcy would have been the fate of the Great Northern if it had been built and handled as were the other transcontinentals; or if after reaching the Pacific, it had been dismissed with the paternal blessing and told to do the best it could in a cold and selfish world. Mr. Hill did not do things that way. As resolutely as he had set himself to cover the gap between the end of his line, when it stopped in North Dakota and the waters of Puget Sound, as shrewdly as he had built up a long haul business, he now proceeded to assure volume and permanence for the entire traffic of the Great Northern.

In a single year eighteen thousand settlers were located along its line—a great influx for those days—and that work of filling up the country with farmers never

slackened. Standing squarely on its own merits, before the creation of new sources and the expansion of old forms of traffic, it appeared that the Great Northern, including the new through line, was no weakling. The terrible year 1893 swept down railroad properties like a tornado. Panic, bankruptcy, labour unrest, loss in all its protean forms, were everywhere. Yet the report of the Great Northern for the year ending June 30, 1894, after enumerating these handicaps, continued: "Notwithstanding these conditions and a general reduction of the average rate per ton per mile from .01232 in 1893 to .01096 in 1894, or 11 per cent. of the former rate, your company has been able, from its income from all sources, to pay its interest and guaranteed obligations and its usual dividend, with a deficiency of $104,153." One year later the company was out of the woods. The report for June 30, 1895, showed gross earnings of $13,109,939, as compared with $11,345,356 for the preceding twelve months, and an increase in net of more than a million dollars. One year later still the progress had been so great as to invite a comparison for the fifteen-year period since 1881, when the old Manitoba system may be said to have got into its stride. The following, from the annual report of June 30, 1896, all of these reports being the personal work of Mr. Hill, is an admirably concise statement of conditions both present and relative:

The articles carried by the Great Northern system, while considerably more diversified in 1896 than in 1881, are substantially

of the same description as then; yet in 1880-81 the average charge per ton mile was 2.88 cents, while in 1895-96 it had fallen to .976 of a cent; or to only a little more than one third of the former rate. Has the price of any other commodity, or the rate of pay for any other class of service fallen equally?

In 1895-96 the revenue ton mileage was 1,622,877,423, and the cost of it to the public $15,883,090.47. Had the rate per ton per mile of the year 1880-81 been charged, the earnings would have amounted to $46,738,869.78, or $30,905,779.31 more than the companies actually collected, and during the same time the rate of wage paid by this company has advanced to an average of 45 per cent. higher than the average of 1880-81.

Machine and men must work together to produce such results. Mr. Hill often repeated that "you cannot do good work anywhere with poor tools." For years the Great Northern was operated at from 49 to 51 per cent. of the gross earnings—a remarkable record at that time. Grades which were originally low had been so cut down that, while other transcontinental lines, in crossing the mountains, required double-header engines on 10 per cent. of their grades, the Great Northern used them on but one per cent. His policy was always to make rates low on the staple products of the farm. The farmer must get his wealth to market and receive a good return for it, or he would not remain on the land. If he went away, or if others had no encouragement to come, everything would collapse. Mr. Hill had little patience with the stress laid by shippers and authorities on ordinary merchandise rates, or with their failure to recognize the breadth and fundamental soundness of his

policy. His theory and his practice are expressed in the following clear demonstration contained in "Highways of Progress."

"The most important thing to the farmers of the Northwest is a low rate on wheat. Take the case of a farmer with one hundred acres of wheat yielding, say, twenty bushels to the acre; a total of 2,000 bushels or 60 tons. A reduction of five cents a hundred, or a dollar a ton, in his transportation charge would amount to him to $60 per annum. If he visits the country store once a week for fifty-two weeks and takes away from the store each week fifty pounds of merchandise, in a year he will have taken 2,600 pounds, the entire freight on which would not have averaged more than forty cents a hundred, or $10.40; so that, if the railroad carried the merchandise for nothing and charged an additional five cents a hundred on his grain, the farmer would be worse off by nearly $50 a year. Consequently wheat rates have been made relatively lower there than in other parts of the country, and relatively lower than those on merchandise." This policy undoubtedly contributed much to the rapid growth and great prosperity of the Northwest. Again and again the Great Northern voluntarily lowered rates on staple farm products. It expected no increased returns on capital. It planned to make good the lower rate by larger traffic, coming from the growth of the country, and by economies in operation.

"I think," said Mr. Hill in a letter written to Mr.

Forbes in 1896, "in the future it will be difficult to raise rates beyond what the companies have voluntarily made by the usual methods. The only real relief we can look for is in the reduction of the cost of doing the work." This latter item, from the beginning of his career to the end of it, he watched with unrelaxing alertness. If there was waste anywhere, if box cars were seen travelling empty, if men fell into slack methods on any part of the line, presently a sharp message came from headquarters. Every day reports were laid before him. He would put an unerring finger on the weak spot, and nobody was exempt from censure. No matter how highly placed the official, no matter how close his personal relation to Mr. Hill, if he was deficient in this respect he received a warning in terms which, while courteous and sometimes even sympathetic, were so severe that no repetition would be desired. Unless improvement were instant and satisfactory, there was a vacant place and a job for a new man. Efficiency reigned from one end of the Great Northern to the other by virtue of one man's oversight and will.

Few have realized how great a part this played in keeping its finances in good condition when other systems were dying. He made satisfactory operation a part of finance. "I note," said he, in another letter of 1896, "the work of your locomotives, which is certainly very good. It is largely in this direction that we must look for our profit in handling the tonnage of

our lines. The public have become so accustomed to low rates that I do not see how under the present conditions, with commissioners, courts, and others, it will be possible to materially advance the rates which have been voluntarily in effect for so long a time." The fight for economical operation was never relaxed. The eye of the master was always watching. Six years later he wrote to another high official on his system: "My instructions were that we should not haul empty cars. We get an average of $160 a car for hauling lumber east, and to haul the car west costs $100 and to haul it east costs at least $100, so that we would be out anywhere from $40 to $60 on every car we hauled west empty. The company has no money to spend that way. We have a large number of box cars, most of which are of recent construction and large capacity. Six round trips of our car equipment will carry 100,000,000 bushels of grain, so that there should be no difficulty in providing cars for the hauling of the grain out west. We want, in place of more cars, a better movement of the cars we already have, and cannot allow shippers to make warehouses of the cars, nor can we furnish warehouses to store other people's business. There is no occasion for it as matters exist in the Northwest, and it should come to an end. In any event, we want it to come to an end on our road." So, whenever any unusual condition arose, a labour difficulty, a bad crop season, a financial panic, the

Great Northern never dropped into the hole. Other managements sought different remedies. Mr. Hill had only one, but it never failed. As soon as the unfavourable circumstance declared itself, usually long before, because he was wonderfully weatherwise about these storms, an order went out to cut operating expenses to the full total of the loss of revenue, realized or expected. Everybody knew that orders were to be obeyed to the letter. Everybody knew also that retrenchment would not be accepted as an excuse for inefficient operation. New economies were made, forces were reduced, and when the time for striking a balance arrived, the Great Northern showed a decrease in operating expenses oftener above than below the loss in revenue. Mr. Hill was branded a pessimist more than once because of this prudent policy. He was a pessimist in exactly the same sense as the skipper who orders all hands aloft to shorten sail, because his trained senses have given him sure warning of an approaching gale.

Next after the railroad, the farm was the fulcrum from which he applied his effort. His work to improve agricultural conditions will be dealt with fully in its proper place. Coincident in its rise with his appearance as a railroad manager, it never ceased to hold a prominent place in his thought and work. A preceding chapter described his early efforts to raise the quality of live stock in the Northwest. The story of the upbuilding of the vast new country traversed by his lines

would be incomplete without another passing reference to this allied activity. Notwithstanding his somewhat disappointing experience, he did not cease to introduce improved breeds of cattle, whenever he found men who could understand and carry out his ideas. On his five-thousand-acre farm ten miles outside of St. Paul he experimented with strains, with feed, with plants, with fertilizers, with everything that might raise the net product of the farm. The following extracts are from an address made by him before the Minnesota State Historical Society. He himself considered these experiences worthy of a prominent place in his own account of his years and work:

"For many years I fed stock on my farm and exhibited the stock at the Fat Stock Show at Chicago. I think for six or seven years I was always able to carry off a full representation of the top prizes; and I think that for half the time I carried off the actual first prizes for the animals on foot and for the quality of meat of the slaughtered animal. I have probably a dozen and a half or two dozen gold medals which I have taken for fat stock, fed on my farm. I have never failed to take my full share of premiums. I say my full share, but I really took twenty times my share of prizes. Sixteen sheep can be fed on one acre of my ground and cannot eat the products of that acre; or five or six cows on one acre, without eating down the forage on that acre. Yet this is poor land; if you put a spade into it, before

the spade is driven home the edge of it is in the sand. I think for the last ten years I have averaged more than 800 bushels of rutabaga turnips to the acre. An excellent good fodder they make. This year I put sixty acres of corn into ensilage, about 300 tons of ensilage. Any farmer who will be careful and try to do his work intelligently, with diversity of crops, stock raising and dairying, can and will make his land worth as much as any in the state." All of this was new gospel at the time and place.

Some of this interest was the passion of the country-bred boy, which he rarely loses, for the land and the actual management of it. Some of it was the love of the man whose life is passed in cities and the offices of great affairs for the clean, wholesome breath of the country, and the relaxation of an interest so different from his ordinary avocation as to be a diversion and a restorative. But his fundamental thought was the improvement of farming and the multiplication of farms and farm products throughout the Northwest. He saw more potential business for his railroad, to put it on the lowest plane, in a section of land than another man would have seen in a factory. Nothing that could promote the agricultural interest left him uninterested. He was a strong advocate of good roads, and favoured every plan for highway improvement that was not based on big bond issues. People generally had given little thought to drainage as early as 1885. In the North-

west, where the best land could be had for a song, the subject had scarcely been considered. But the old Manitoba Company's lines in the Red River Valley were as good as a gold mine. That is a flat country, liable to crop loss from excessive moisture in a wet season. The railroad company agreed to pay half the cost of a drainage survey of the valley, if the counties interested would furnish the rest. It has been related that when the state, later on, made its first drainage appropriation, the railroad gave $25,000 to aid the work. That was the beginning of what became a highly developed and important function of the state. It owes much to the initial impulse given by Mr. Hill.

Disturbed, as most patriotic and sober-minded people were by the clamours preceding the war with Spain, he saw the situation and its needs clearly. He wrote the following letter to one of the Minnesota delegation in Congress early in 1898: "From a national standpoint our blunder was first in bringing foreign matters, like Cuba and Venezuela, or the interests of any other outside people who have no interest or sympathy with us, national or otherwise, into our political contentions and making their conditions a part of our national platforms. Both parties have been guilty of the sin, and both parties ought to suffer the consequences. If we could learn to mind our own business it would save us a great deal of trouble. On the other hand, we have gone so far as to commit the Government

to a policy, and there should be no halting or doubt as to the loyal support of the Government in whatever direction Congress and the President may find best. The destruction of the *Maine* will always remain chargeable to the duplicity of the Spanish Government in Cuba, or to that of the Spanish officers in Cuba; and while there may be a distinction, there is but little difference between the two. We must now put on a bold front and bring the matter to a definite close. The country cannot afford to have the Government take any step backward. I firmly believe that, in case of war, with prompt and bold action we should have every Spaniard bearing arms on the island of Cuba a prisoner of war within six weeks and have the whole matter thoroughly in hand. No good end will be served by our public men losing their heads and firing off political rockets to show what big men they are. They do not deceive anybody except themselves. All that sort of action is short-lived, and the sooner the men in public life realize that the public school has accomplished something in the last half century, the nearer they will be able to estimate their own position. I am going away for four or five weeks, and by taking passage under the Union Jack of Great Britain I expect to be able to make the trip in both directions safely. I hope that time will come when the Stars and Stripes will afford equal protection. It ought to now, and it is not the fault of the flag that it does not." This is the note

of "preparedness," strongly sounded, seventeen years before the country heard and heeded it.

By no means least of the difficulties that beset the newly completed railroad was its share of the labour troubles of the time. The year 1894 was a black date. Unrest swept over the country. The railroads of the West were tied up. Senator C. K. Davis, of Minnesota, was asked by labour organizations to support a resolution offered in the United States Senate forbidding the Government to prevent interference by the strikers with the running of mail trains. To this he telegraphed a reply ending with the famous words, "You might as well ask me to vote to dissolve the United States Government." This, as Mr. Hill wrote to a friend, "made him a hero." It strengthened his national reputation without injuring him at home. But it did not settle the labour troubles. Mr. Hill wrote to President Cleveland in April, urging firm action by the Department of Justice to prevent and quell disorders. It was the time of the American Railway Union, of Coxey armies and marches on Washington. "There are," said Mr. Hill's letter for the president's information, "between four and five thousand men between here and the Pacific Coast in parties of from two to six hundred, desiring to go to Washington. They are mainly of the worst class—men who do not want to work for a living. If they can be prevented from starting and dealt with in small

squads, the matter can be settled sooner and more safely than if they are allowed to go as far east as St. Paul or Chicago."

Of course, the Great Northern had its share of the general strike, a full and interesting account of which was given in a letter from Mr. Hill to Mr. Kennedy. Some extracts show the policy of the company in dealing with its first big labour dispute; a policy that was the basis of all its future action. "The order to strike," he said, "was given on three hours' notice, without any consultation or agreement between the different branches along the line. The general condition of unrest, growing out of the large number of unemployed people who passed through the winter with more or less charitable help, feeling that when spring opened they would find something to do, added to those who never do an honest day's work, but prefer beating their way through the world, made, altogether, between Helena, Butte, Spokane, Seattle, Tacoma, and Portland, about 3,500 people who were gathered or gathering together as 'Coxeyites' about this time. It would have been a relatively easy matter for us to have opened the line by force from St. Paul to the Pacific Coast, although we would have run great risk of having costly bridges destroyed. While presenting a firm front to the strikers, I felt that our position was strong enough to leave any question between the company and its men to arbitration." The men at first refused this, and the

MRS. JAMES J. HILL

company went resolutely to work to open its lines. Then the strikers agreed to arbitrate; and the company, which might now have refused, consented. The award was accepted, and Mr. Hill concluded his letter thus: "The newspaper reports have indicated that the men won a great victory, and this we have been careful not to contradict."

From this time forward the Great Northern had rather less than its normal share of labour troubles. There were many differences, and many times it seemed that these must lead to a break. When they did, it was of short continuance. The management was known to be a hard fighter, but one that preferred peace on any equitable terms. Generally such disputes were amicably adjusted between the officials of the company and those of the labour organizations, or by arbitration when conciliation failed. Mr. Hill's own position always was that he did not mean to be imposed upon, but that he desired and intended to be just. Partly to create and foster a feeling of loyalty, but also to encourage thrift, the Great Northern Employees' Investment Company was founded in 1900. It is one of the early and successful profit-sharing schemes of this country. Ten thousand shares of the company's stock, at the par value of $1,000,000, were issued for its use. The Investment Company was authorized to receive, from employees named in a list furnished by the Railway Company, sums of ten dollars

or multiples thereof, not to exceed $5,000 for any one person. Length and quality of service were the sole conditions of a place on the list. The investor received an investment certificate, and for each $100 turned in the Investment Company received one share of stock to be held in trust. So the employee purchased a high-priced stock at par, and received the regular 7 per cent. dividend. He was authorized to surrender his certificate and receive principal and interest at 6 per cent. at any time. On the other hand, he could not transfer or assign a certificate to any other party.

This remained a favourite investment for the thrifty, and a successful form of profit sharing. It aided in the creation of a feeling of loyalty that ameliorated labour differences. By June 30, 1915, regular certificates to the amount of $1,185,450 had been distributed among 578 employees; 95 held $5,000, the maximum allowed. One hundred and eighty employees were on the waiting list, February 24, 1916, prepared to invest about $1,134,750. Mr. Hill said of this plan and its work, after it had been in operation for a dozen years: "I am as well satisfied with that institution as with anything I have ever had to do with. I think that its greatest value is teaching the men to save. The first two or three hundred dollars is the hardest to save, but when you have once started you all know it comes easy." The personal feeling of the men for Mr. Hill minimized labour differences. To them and with them he was one of

the "old timers." He had come up with the railroad, he knew every inch of it, he was familiar with the duties of each man, he could call all those old in the service by their names, and when there was trouble abroad he refused indignantly to accept any protection when going over the line and talking with the men. "I need no other protection," he said scornfully to those who suggested the presence of a secret service man, "when I am among employees of the Great Northern." The result warranted his confidence. Of the scores of banquets and receptions and anniversary dinners at which he was the guest of honour, none was inspired by more genuine feeling, none more enthusiastic or more enjoyed by both parties to it than that which was tendered annually on his birthday by the old employees who swapped jokes and stories as familiarly with this man of world-wide renown, certainly as much to his delight as to their own, as they once did with the young manager of their early recollection.

The public feels a natural interest in the relations between a man like Mr. Hill, occupying such a position as employer, and the men who work for him. Some light was thrown upon that in an earlier portion of this history, and more by the facts just stated. Full illumination will come from two documents now to be quoted, which place in a warm and steady light the feeling that existed between him and his men. His seventy-fifth birthday, in 1913, was celebrated, at

Glacier Park, by a meeting of the Veteran-Employees' Association. He and Mrs. Hill were the honoured guests of the occasion. Some extracts follow from his response to the addresses made by others on that occasion:

"Some of you started before I did, but most of you have followed step by step, keeping in step with the forward movement of the company. Now, it has not been the easiest thing in the world to play first violin in the Great Northern Band. Sometimes there might have been a strain that began to show the want of harmony, but that was very seldom; but behind it all I have always felt that I was squarely at home on the old Manitoba or on the Great Northern, and I feel so to-day and expect to feel that way as long as I am living.

"You know, some of you do, that the 'old man' has a temper if he gets started. But I want to confide to you now that when I use discipline I never for a moment want to use it unfairly to anybody, high or low. At the same time you must, if you are going to have progress, if you are going to go on with a great big machine such as we have here, have order; and somebody must lead the band, or there won't be harmony.

"I have always tried to give everybody, no matter what position he is in, opportunity to rise and take a step forward and upward in his own behalf; and it is one of the pleasant things in connection with the road that old-timers everywhere are occupying prominent positions.

"No matter who he may be or where his lot may be cast, no man ever won his victory by his own arm. No, no, the successful man always is the one who has made a wise selection of his assistants. Both the old men who have been in service for a great many years and those who have been in service for only a few years may bear in mind that the company is a piece of paper with a state seal on it. It has no life, it has no action except such as the men behind it give it; and whatever it does, whatever success it may have or whatever failures it may have, will be due to the work of the men who carry the flag and the men who follow the flag."

So much for his conception of the relation between employer and employed. Few employers so understood it even at the time when these words were spoken. It was still more unusual in a man of the old school, of the preceding generation, a man whose business apprenticeship was served and whose business methods were formed in the stern days of the middle of the nineteenth century. Not much sentiment was wasted in that epoch on labour. There is much sentiment, a pure and true feeling without any tinge of sentimentality, in these words of Mr. Hill.

The employees showed their attitude not only by what was said and done on occasions like the above, but by their tributes to Mr. Hill when he was no longer there to hear. The Veterans' Association held its meeting on the usual anniversary in 1916. Three and a half months be-

fore, Mr. Hill had gone to his rest. The members adopted and spread upon their records a memorial whose declared purpose was not to outline his life, but to express their own feeling toward him. The extracts which follow are no more significant than the title under which this matter appears: "James J. Hill; Our Chief for a Generation, Our Friend Always."

"To the men of this Association, every one of whom had been tried and taught by not less than twenty-five years of work under him, Mr. Hill was far less the official chief or the enterprising leader than the kind and sympathetic friend. As the lives of greatly successful men recede and are bared to the pitiless light of history, it has always added something to their glory if they had the sincere attachment of those who followed their leadership. He had it. Because he valued it, we dare to think that to his memory it may have worth. Dearly we shall cherish the thought of years of association, labour, and recompense. Proudly we shall remember the tribute of friendship that he paid us in our past. But what we most wish to express, what will endure while we live and what we hope may attach itself to his remembered name, is that, while we respected and admired him, first and before all and every year more and more, we loved him. Many works and words and thoughts that found high expression through him will perpetuate his memory. In our hearts, so long as life beats there, will be his monument."

He was especially severe upon any attempt to use the company or its employees for an outside or ulterior purpose. Back in 1890 he received complaints that an employee had been running political caucuses and otherwise displaying what Mr. Cleveland called "pernicious activity." Instantly a personal order went from headquarters to the General Manager of the system, in these words: "While every man has a right to vote as he pleases and do as he pleases with his own vote, it is a rule of the Company that no foreman will be permitted to use his position for a moment for any political purpose." He dealt as severely with attempts to use a connection with the company for personal financial advantage. The following order, to the Chief Engineer, also given in 1890, covers this phase of the relation between employer, employed, and the public interest: "Since my return from the West I have understood that a number of men—some of whom have been in our employ—have gone into prospective town-siting on the line of the road. I wish you would instruct all your engineers, and through them your men, that no man will be permitted to remain in the company's service who is mixed up with anything of the kind. And further, to avoid their making a success of any such ventures, let me now instruct you that no stations are to be located where they have bought ground. We do not desire that our employees shall in any manner take advantage of any information gotten through their

service with the company. On receipt of this I wish that you would examine your own office and see if any one, either typewriter, operators, or clerks, has had access to copies of your reports to me, and find if they are in any manner mixed up in any of these deals. *If there is a shadow of suspicion attached to them, discharge them at once.* That will be the only safe course for us all and will set a good example to others in the future."

Here appears the busy man, attending to the multifarious duties of his post, watching every detail of operation, building up a country and creating traffic from and to it over the whole seven states from Minnesota to Washington and Oregon, while at the same time his brain was weaving mightier plans for the consolidation of interests, the economical conduct of a nation's business, and the possible reversal of relations between world markets, and the movement of a world's commerce. The same principles rule throughout the little and the great. Severity with fairness, efficiency with intelligence, a stern sense of honour, immense pride in genuine achievement, and the courage of a leader of armies when he felt that right was invaded or imperilled—these are the distinguishing traits of the man who walked through the stirring times of the last years of the last century. He had broadened immensely, in mind and sympathy, justified his wonderful self-confidence, but he had not changed radically in any respect. He is precisely the same man, grown to the

stature of his years and crowned by great achievements, who had dreamed of ventures on the Ganges and the Indus, spent his days and nights in study of informing books, made himself a force in river transportation, and turned into a master machine the bankrupt old railroad —his supreme touch of daring.

Those elementary qualities which marked the man, his sense of honour and his fearlessness before anything that he felt to be a personal duty, inspired a letter with which this chapter may well conclude. A conductor on the railroad had been discharged for violation of the company's rules. The man had a powerful pull. The organization behind him controlled votes. So it came to pass that a certain United States senator from a Northwestern state, backed up by two members of the bench, addressed to Mr. Hill a request for his re-instatement. In view of the relation of legislative and judicial authority to railroad control at the time, it was a petition to be granted if possible; and if not, to be handled most tenderly and apologetically. Mr. Hill's reply follows:

"I desire to say that we are charged with the responsibility for lives and property committed to our care. The responsibility is a heavy one and we cannot discharge it by retaining undesirable trainmen in our employ. I am surprised that these judges should so far lower themselves as to make their request. They certainly should know better. We have been com-

pelled to make it a rule that where a trainman, who is discharged for cause, seeks re-instatement through any judicial, political, or other pull, he has destroyed all chance for re-employment with this company.

"I would be glad to do anything for you personally, as you well know, but you would be the last one to ask me to destroy the discipline in our organization. You are at liberty to send this to either or both of the judges, and I hope they will know better next time. We have difficulty enough in securing good men, and this difficulty would be greatly increased if we paid any attention to such requests, even from the Bench."

## CHAPTER TWENTY-SIX

### A TRILOGY

THE year 1901 was big with destiny for Mr. Hill. Upon this date converge, like the sun's rays upon the focus of a lens, the activity of his past and the consummate plan of his future as a creator and master of transportation. Three striking events in the story of his life, in the development of the Northwest, in the planning and segregation of railroad systems into spheres of control, and in the rise and determination of legal questions and principles affecting this whole development, were crowded within the limits of a few months. The tale of the purchase of the Burlington system, of the titanic struggle for control of the Northern Pacific, and of the formation of the Northern Securities Company involves a trilogy. These are distinct but inseparable parts of a connected whole. They are interrelated and interacting members of one organism; while the stirring events connected with each are worthy of an independent history. Each contributed its individual share to the work of Mr. Hill's life. Each can be made wholly intelligible only if the common relations of all are first clearly and logically set out.

In several of the preceding chapters, events and ten-

dencies clearly foreshadowed the substance, though not the form, of what must follow. In the first year of the twentieth century the growth of our trade with the Orient, already discussed, had become pronounced. The agencies which Mr. Hill intended to apply to extending and cheapening it were in process of preparation; and the restrictions of the federal power upon export rates had not yet been so exercised as to threaten any fatal interference. He was full of this plan. What he thought about it and hoped from it has been stated in connection with the launching of his ships for the trans-Pacific trade. That scheme had been fully worked out, and he had written in September, 1899, this summary of it to Mr. Higginson, of Boston: "In order to secure this tonnage to Puget Sound (coming Oriental trade) I may say to you, in confidence, that steps are being taken actively to provide a merchant marine that will be able to carry ocean-going freight at lower rates than it has ever been caried, either by sail or steam. This contemplates ships of much greater carrying capacity than anything afloat on the Atlantic or elsewhere. Our docks and other facilities are convenient, giving low cost of handling, and admitting the largest ships, drawing thirty feet or more of water."

The railroad end was in admirable shape, physically and financially. On September 12, 1899, he wrote to Mr. Farrer, of Baring & Co.: "The present year we are rebuilding practically the line from Williston to the

summit of the Rocky Mountains, and 42 miles of the line between Great Falls and Havre. This will enable us to materially reduce the cost of operation on both these divisions. The wooden bridges are either replaced by permanent culverts or steel spans, and the embankments on the entire line are being brought to grade and widened to 16 feet at sub-grade, or two feet wider than when the line was built. The whole is being covered with a heavy coat of good ballast, from eight to eighteen inches, according to the previous condition of the track. Our work next year and thereafter will not be as heavy as this year; at the same time, it will take us from two to three years longer to complete this work on all lines. When it is finished, our operating expenses per train mile will be largely reduced and our train mile tonnage will be increased, so that I look for the cost of transportation on the whole system to be ultimately reduced to one quarter of a cent per ton per mile. This may seem extravagant, but it is not by any means impossible. It would make, as compared with the cost during the past year, on the tonnage hauled, a difference of nearly two million dollars." For the fiscal year, 1899, the net revenue of the Great Northern was more than nine and a half millions, and of its subsidiary companies more than four million dollars additional.

The possible leadership in world-wide traffic appealed to his patriotism and his pride quite as much as to his concern for the financial interests of his railroad. Speaking

before a convention of grain growers of Minnesota and the two Dakotas, January 26, 1900, he said: "The market may be expanded. This country has expanded from the beginning. I don't want to take anybody's country away from him. I don't want to play the Arab and camel in his tent. I don't want to put my head in for shelter from the storm and drive everybody else out. But the world will go on and people will improve. They always have and they always will. We must at least keep up with the procession. We are responsible for our own people and to find a way to make them broad, intelligent, and prosperous, and to enable them to live as intelligent citizens of a free country ought to live."

The creation of an eastbound traffic in Pacific lumber had made it necessary to reach with that product a wider range of interior markets than the Great Northern, even working in harmony with the Northern Pacific as it now was, could control. Westbound traffic directed the same enlargement of facilities. For a time, at least, a considerable part of any exports destined for Japan would consist of the raw materials of manufacture. These, with certain lines of machinery, were what Japan needed. China might be expected to join later in a similar demand. All of the raw cotton to be taken to the Orient must be gathered from the South; with St. Louis, Kansas City, and other cities similarly situated with reference to the producing country, as depots of collection. In the South also a great

iron industry was expanding every day and seeking new markets. Such machinery and materials as were brought from Pittsburg and other eastern centres must be carried, if they went by rail, to Chicago and thence to St. Paul before they reached the Great Northern. The country was too big for the net. The idea required the addition to the northern transcontinentals of a system of railroad which should provide these two prime essentials: a connection that could pick up and bring to them commodities from the markets of the Middle West and South, and a line between St. Paul and Chicago. The birth of traffic on the Great Northern, the development and promise of transcontinental and trans-Pacific trade, the new relations coming into being in the railroad world between different systems, all demonstrated the necessity of so adding to the land factor of the transportation machine as to make it as capable as the big ships would make the water factor. Toward this the events of the last ten years inevitably tended. In this the Great Northern and the Northern Pacific had a common interest.

The occasion was so new, the events that flowed from it were so momentous, and the man himself was so uncommon that it is necessary once more to pause here and reiterate his fundamental thought. The word "monopoly" was in everyone's mouth. The idea of monopoly was in the air. The national Congress and all the state legislatures were largely occupied with measures de-

signed to prevent, curb, or overthrow monopoly. Nor will any candid historian of the industrial situation of the time assert that the attitude was unreasonable or the apprehension unfounded. Views about the desirability of industrial combination, of the economic value and finality of competition, will always differ. That industrial interests were everywhere increasing their scope and power was undeniable. The anxiety of the time—whether wisely or unwisely is of no consequence in this narrative—was centred on the event. It was bitterly hostile to the new idea. And, singularly and illogically enough, it was more concerned, on the whole, with the operation of the tendency in the field of transportation than in that of production.

The Interstate Commerce Act, though not so intended, made some form of common action between railroads imperative. How else, to name but one instance, could the provision against a larger charge for a short haul than for a long one over the same line and in the same direction, be literally enforced without driving every line but one, of those between competitive points, out of business, or making the local traffic of the longer route unprofitable? But while the consolidation of many little industries into a few big ones went merrily on, the railroads, from whose union least was now to be feared, were watched with the keenest eye and the fiercest spirit of apprehension. This is the less intelligible because every railroad in the country was subject to the orders of federal

or state legislative authority, prescribing rates. No legal limitation on the prices of manufactured products was possible. A new rate law or an order from the Interstate Commerce Commission or a state commission could prescribe the reduction of a railroad rate whenever it should appear excessive. Only one familiar with the vagaries of political psychology in the mass of voters can find intelligible the greater vigilance exercised against railroad monopoly.

The people of the Northwest had been from the beginning the sharpest censors of railroads. From there and the Middle West the "Granger" legislation drew its name. They preserved the attitude. They "held the thought." With what quick resentment they sprang at the throat of anything that looked like a unification of large railroad interests was seen in the proceedings by which the first plan for reorganizing the Northern Pacific through participation by the Great Northern was nullified. The mass of them did not know what was in the mind of Mr. Hill. They could not have understood it if they had known. Some of them believed him to be at heart a monopolist; meaning by that, a man who was bent on ever and ever wider control of wealth-bringing agencies, in order that they might be used to wring larger profits from the people, with greater power for himself. Even his helpful offices were used to add weight to the presumption. His preëminently skilful and successful handling of his

own system, the belief that the interest held by him and his friends in the Northern Pacific had had its part in placing that company firmly in the way of prosperity, made him a man whose advice was sought. He had helped to reorganize the Erie, and sensation-lovers declared that he had bought it to make a through line across the continent. As a matter of fact, he wrote to President Cassatt, of the Pennsylvania: "In regard to my connection with the Erie, allow me to say that my only object is to try to get that property fairly established on its feet, and that it would no longer be a financial derelict, reflecting no credit on American management." In the same letter he reiterated the conclusion from which he never varied: "I do not believe it is possible to make a strong combination covering the country between the Atlantic and the Pacific." His counsel and support contributed to the making of that then-demoralized but great old property, the Baltimore & Ohio, a solvent and prosperous system; and the same cry went up. From the use of those talents, with which he was gifted for seeing clearly the plight of a railroad system and its remedy, was woven the reproach of an ambition to monopolize the transportation systems of the country.

What was the fact? This is one of the most interesting questions that confront the student of his life. An impartial biographer should answer it frankly and fairly. In attempting this, one psychological principle must be

borne in mind. Mankind, from greatest to least, is under the sway of the mixed motive. Outside of insane asylums, and the minds of people who ought to be in them —those under the sway of the *idée fixe*—acts are determined by composite influences. Both consciously and unconsciously, the acting will is formed or swayed by a complex of considerations in whose obscure mass it is not always easy to discern even what was the controlling impulse. Few men have excelled Mr. Hill in singleness of purpose and directness of movement toward an end. But he was no exception to the laws of mental action. He was and he was not a monopolist. Perhaps the thing can be explained best by saying that monopoly, within certain limits and with certain restrictions and conditions, was a logical sequence of the main work of his life.

To make this clear and simple, go back to that early ambition of his to amass a fortune of one hundred thousand dollars and then cease from acquiring wealth. It was sincere. But before the hour of achievement, the process of acquisition had set in motion life forces; had brought the man face to face with facts and conditions which he found himself fitted to conquer, and in conquering which he found not merely growing power and fortune, but also delight, inspiration, and the satisfaction of one of the elemental longings of his nature—love of public service. He could no more pause at a point mechanically predetermined than a man could stop loving or hating another when the sphygmograph said that his

blood pressure had reached a degree arbitrarily fixed in advance. Mr. Hill's wealth went on growing as a necessary adjunct of his labours. It would be foolish to say that he did not appreciate it, value the larger constructive ability it conferred, strive to add to it by shrewd bargaining, by taking advantage of opportunity, by all reasonable and honourable means that presented themselves. It would be just as foolish to deny that his swelling fortune was incidental to his work. "The play's the thing." To him the endlessly varied, unfolding, and captivating procession of life and work was the reality. To speak of him either as a man who despised and rejected wealth, or as a man who lived mainly to accumulate million after million, would be untrue.

The analogy between his relation to wealth and his relation to influence in the transportation world is perfect. So far as the element of monopoly, limited of course both territorially and economically, was bound up with his plans, monopoly was a by-product. He could not easily brook opposition. When he had determined upon an end, he went after the means to that end. He was scrupulous in his methods, but unrelenting in his purpose. Circle beyond circle from a common centre, his influence and his achievements widened with the years. The area grew so great that it could not be extended, could not be maintained, without including something of the monopolistic element. Monopoly was implied in the mere fact of re-

maining a competitor in a field where opposition had attained eminence and power like his own. Wherever, then, the carrying out of his ideas involved a control of subordinate interests sufficient to deserve the name of monopoly, he did not hesitate to take that control and exercise it unflinchingly. But he cared no more for power, merely as power, than he did for wealth merely as wealth.

He was a man who did things. He wanted always to do more and greater things. The kind of thing he wanted to do was absolutely determined by his vision of its consequences; his deep conviction that these would be for the public good, for the development of the country, for the increase of American prosperity, and the strengthening of the American idea. When he was opposed, he put out his enormous strength. If any one hit him, he hit back. But he fought fair. Like all the geniuses the world has seen—for it is a necessary attribute of genius—he was tremendously sufficient unto himself. Woe to those who blocked his path. But he would never consciously wrong any man. He would no more have used his wealth and power just to breed more wealth and power; no more have sought control of men and territory and systems for the sake of control alone, than he would have had himself confined for the remainder of his life in his own big vault, to spend his best years in fingering cash or counting securities. A thousand facts of his life, a thousand comments that

came from his lips on men and events of his own time, tell that he felt, for this foible of so many of the great, only scorn and contempt.

This analysis of one aspect of the man finds its place here because, without it, his policies about to be described would be misconstrued or not understood at all. It is required by the charge of the will to monopoly brought against him at the time. His words denied that charge. His life contradicted it. The very foundation principles of the transportation business as he grasped and explained them were hostile to the possibility. But a large portion of the public would not believe, because it could not understand. It would have had to be Mr. Hill himself in order to do so. Therefore, one must not be surprised, neither should he judge too severely the people who were using such eyes and brains as nature had endowed them with, such arguments as many experiences with others had furnished them, if he finds Mr. Hill's acts brought at this time to the touchstone of their relation to a traffic monopoly, asserted by many and believed by some to be colossal in its comprehensiveness and its peril to the public. Before such an audience the first part of the trilogy, the purchase of the Burlington system, was about to be put upon the boards.

Before the curtain rises, however, clearness of understanding and just judgment will be aided by letting the author have his say. There exists an authentic

"argument" of the play. In it the whole action of the three separate parts of the trilogy is condensed into a few paragraphs of wonderful clarity of statement, imbued with deep feeling. Just before Christmas, 1901, Mr. Hill returned from New York, where stirring events had been taking place, to find himself bitterly attacked in his own state in the discussion of the Northern Securities. For the only time in his life, so far as is known, he prepared and signed a statement for publication dealing with his own acts and purposes. It covers the ground of all the transactions briefly. No one can read it to-day without feeling a sincerity and an outraged public spirit that breathe from every line. Like the syllabus of a great case, it sets out the main points of the findings which are to be reached in the following chapters. The copy published here is taken from the St. Paul *Globe* of December 22, 1901. The fact that Mr. Hill owned at that time all the stock of this newspaper is a guarantee that the statement appeared exactly as he wrote it:

"I have been absent from Minnesota for more than two months and during that time there has arisen a wide discussion throughout the State of what has been generally called a consolidation or a merger of the Northern Pacific and Great Northern Railways, and in this discussion statements have been made which are so widely different from the facts that I feel called upon to make a conservative statement of just what

has been done in the past and what will be done in the future.

"When the Northern Pacific failed and the Banking House of J. P. Morgan & Co reorganized it, myself and friends were holders of a large amount of that Company's securities. After the reorganization was completed we bought about twenty-six millions of Northern Pacific stock, both common and preferred. Some of this stock was afterward sold by individuals, but a large amount has been held from that time to the present.

"About a year ago the Union Pacific Company bought the Huntington and other interests in the Northern Pacific and at the same time made an effort to buy the control of the Chicago, Burlington & Quincy.

"With these lines in the hands of the Union Pacific interests, both the Northern Pacific and Great Northern would be largely shut out of the states of Nebraska, Kansas, Missouri, South Dakota, Iowa, Illinois, and Wisconsin, except by using other lines of railway, some of which were in the market for sale and might at any time pass under the control of or be combined with the Union Pacific interests. We then, with the Northern Pacific, made proposals to the Directors of the Burlington to buy their entire property. When this transaction was about being closed the people who represented the Union Pacific Company, and who had previously tried to buy the Burlington, asked to be allowed to share with us in the purchase of that Company; this

proposal we refused for the reason that it would defeat our object in buying the Burlington, and, further, it was against the law of several of the States in which the largest mileage of the Burlington was located.

"At that time, against the opposition of the more southerly lines, both the Northern Pacific and Great Northern had put into effect a low colonization rate and were carrying daily thousands of people into the Northwest, many of whom were coming from Kansas and Nebraska along the lines of the Union Pacific. This movement was at its height in the month of April, and after we had closed the purchase of the Burlington, the Union Pacific people undertook the boldest effort that ever was made in this country and bought more than sixty millions of the stock of the Northern Pacific in the markets of Europe and the United States. I was in New York at the time, and after Messrs. Morgan & Co. were aware of the action of the Union Pacific people, it was found that together we held about twenty-six millions of Northern Pacific common stock; and, inasmuch as the common stock, by right of a contract made with the preferred stockholders when the Company was reorganized and the stock issued, had the privilege of paying off the preferred stock at par on the first day of January in any year until 1917, Messrs. Morgan & Co. then bought in London and New York about sixteen millions of the common stock of the Northern Pacific; at the same time

the Union Pacific interests, having already so large an investment, bid the stock up until there was the largest stock corner ever known; the common stock in three or four days went up to one thousand dollars per share.

"I explained to my friends how that, with control of the Northern Pacific, the Union Pacific would control the entire Northwest and of the West from Mexico to the Canadian line, except for the Great Northern. So great was the effort to get this control that one of my friends in London, who owned two millions of Northern Pacific common, was offered and refused fourteen million dollars for his stock. The result was that Messrs. Morgan & Co. and ourselves owned forty-two out of eighty millions of the Northern Pacific common, with the privilege of paying off the seventy-five millions of Northern Pacific preferred. The Union Pacific people owned thirty-seven millions of the common and about forty-two millions of the preferred, which was a clear majority of all the stock of the Northern Pacific, and claimed the exclusive control of the Northern Pacific Railway and through that ownership a control of one half the Burlington. When it was known that these preferred shares could and would be paid off and before the annual election, mutual negotiations resulted in Mr. Morgan giving them a representative in the Northern Pacific Board. At the same time I was elected a member of the Northern Pacific Board. When I was advised of my election I notified

them that I could not legally act as a Director of the Northern Pacific and Great Northern at the same time, and I resigned after the first meeting of the Board.

"Several of the gentlemen who have long been interested in the Great Northern Railway and its predecessor, the St. Paul, Minneapolis & Manitoba Company, and who have always been among its largest shareholders, but not the holders of a majority of its stock, whose ages are from seventy to eighty-six years, have desired to combine their individual holdings in corporate form and in that way secure permanent protection for their interests and a continuation of the policy and management which had done so much for the development of the Nor hwest and the enhancement of their own property in the Northwest and elsewhere. Out of this desire has grown the Northern Securities Company.

"It became necessary (in order to prevent the Northern Pacific from passing under the control of the Union Pacific interests and with it the joint control of the Burlington) to pay off the seventy-five millions of Northern Pacific preferred. The enormous amount of cash required for this purpose from a comparatively small number of men made it necessary for them to act together in a large and permanent manner, through the medium of a corporation, and the Northern Securities Company afforded them the means of accomplishing this object without the necessity of creating a separate

company to finance the transaction for the Northern Pacific; while, at the same time, the credit of the Northern Securities Company would be much stronger, as it would also hold a considerable amount of Great Northern and other securities.

"The Northern Securities Company is organized to deal in high-class securities, to hold the same for the benefit of its shareholders, and to advance the interests of the corporations whose securities it owns. Its powers do not include the operation of railways, banking, mining, nor the buying or selling of securities or properties for others on commission; it is purely an investment company and the object of its creation was simply to enable those who hold its stock to continue their respective interests in association together, and to prevent such interests from being scattered by death or otherwise; to provide against such attacks as had been made upon the Northern Pacific by a rival and competing interest, whose main investment was hundreds of miles from the Northwest and whose only object in buying control of the Northern Pacific was to benefit their southern properties by restraining the growth of the country between Lake Superior and Puget Sound, and by turning away from the Northern lines the enormous Oriental traffic which must follow placing on the Pacific Ocean of the largest ships in the world.

"The foregoing is a brief and absolutely correct statement of the whole subject and its truth can easily

be verified by the State of Minnesota or any other State or person having sufficient interest to investigate the facts which are all matters of record.

"Now as to the effect of what has been done upon public interests of the country, let me ask a few questions which I want every candid and honest man to answer for himself:

"Did the Union Pacific people, with their railway lines extending from Omaha and New Orleans to California and Oregon through the several States in the Middle West and South, purchase a majority of the stock of the Northern Pacific Company for the purpose of aiding that Company and increasing the growth and prosperity of the Northern country, or was it for the purpose of restricting such growth and aiding the development of their enormous interests hundreds of miles to the south?

"Did they purchase the Northern Pacific and with it an equal share in the Burlington for the purpose of building up the Asiatic trade between the Northern zone, lying between St. Paul and Minneapolis and the Pacific Coast, or to prevent such building up and control the Oriental trade for their own railway lines through their own seaports and over their own ships?

"In defeating their control of the Northern Pacific and Burlington, and retaining it in the hands of those who had built it up and with it the entire Northwest, did we injure or benefit the people of the Northwest?

"Did I, by inducing my friends to hold their Northern Pacific common stock and act jointly with Messrs. Morgan & Co. when this stock was selling at five hundred and one thousand dollars a share, and thus prevent the Union Pacific from controlling the Northwest, injure or benefit every interest—agricultural, business, and otherwise—of the entire country between Lake Superior and the Pacific Ocean?

"Had we sold our twenty millions of Northern Pacific even at three hundred dollars a share, amounting to sixty million dollars, or forty millions more than its present value, and transferred to the Union Pacific control the entire country between Canada and Mexico, what law of Minnesota would we have violated? Could we not have legally put the money in our pockets and let the country learn what it was to be dominated by a parallel and competing railroad?

"Why did Governor Van Sant sit still from May until November, while a majority of the stock of the Northern Pacific Company was controlled by a parallel and competing railroad company, to which the law is clearly opposed, and wait until myself and friends have by our efforts and with our own money relieved the Northwest, not as a rival parallel or competing railroad, but doing what we clearly have the right to do as individuals or working together for greater permanency and security as a financial corporation?

"Has there ever been a case in the history of this

country when men have dropped their money profit and stood firmly by the interest of the communities which had grown up with their own and largely by their own efforts and capital?

"The public is interested in having a good railway service and at fair and reasonable rates. The past is gone and speaks for itself. I can speak for the future, and I have no hesitation whatever in saying that the increased volume of traffic, both through and local, will enable the companies to reduce their rates in proportion to the volume of such traffic, and that in the near future the public will have a chance to see for itself this feature of what I have said. The development of the country will increase with greater increase in population between Minnesota and the Pacific.

"No merger or consolidation of the Northern Pacific and Great Northern is contemplated. Each company will be operated separately in the future, as in the past.

"I greatly dislike to discuss my business in the newspapers, but during my absence an attack has been made upon myself and friends which has been persistently supported by both political and rival interests. All I ask is fair play, and let time determine whether the public will be benefited or injured by what we have done and will continue to do."

JAMES J. HILL.

## CHAPTER TWENTY-SEVEN

### THE BURLINGTON PURCHASE

IT WAS now definitely agreed between Mr. Hill and Mr. Morgan, representing the two sets of stockholders, and each largely interested in both companies, that some railroad system must be acquired by the Great Northern and the Northern Pacific, which should answer the double purpose of furnishing them with their own through line to Chicago and admitting them to the markets of the Middle West and a portion of the South and the Southwest. This would link them up over their own tracks with the eastern trunk lines. It would round out the territory to and from which a great body of transcontinental trade was to be carried. It would complete the eastern abutment of that mighty railroad bridge, spanning the country from the Great Lakes to the Pacific, to which the Great Northern system has been aptly compared. It would also be protective in an important sense. The Union Pacific was bold, energetic, and a dangerous rival. Its mind was already set upon obtaining a foothold in the northern country. It was strong in Oregon and looked toward the primacy of the whole Pacific Coast with a longing eye. It, too, could make good use of one of the large systems centred

in Chicago. To any one as familiar with railroad strategy and the minds of the railroad men of the time as was Mr. Hill, the need of quick action was obvious. What had been in his thought for some years was to become accomplished fact early in 1901.

Any one of three systems, the Chicago & Northwestern, the Chicago, Milwaukee & St. Paul, and the Chicago, Burlington & Quincy, might serve his purpose. The Chicago & Northwestern in 1901 had a length of 5,576 operated miles. It was spread over Wisconsin, Michigan, Illinois, Minnesota, Iowa, and the two Dakotas. Its Minnesota and Dakota Division alone was 1,256 miles, with a line of 486 miles running west from Winona, Minnesota, to Pierre, South Dakota. It was an old property, organized in 1859, and would be a powerful ally in some ways. Its total common and preferred stock was nearly $64,000,000 and its bonded debt $145,000,000. It was perhaps the least desirable of the three possibilities. It did not have the desired ramifications south or southwest. By reason of its affiliations with the New York Central, it would be the least easy to obtain.

The Chicago, Milwaukee & St. Paul was even more distinctively a Northwestern system. Organized in 1863, it had grown and spread until its total length of miles operated in 1901 was 6,746. It had a network of lines over Wisconsin, Minnesota, northern Iowa, and eastern Illinois. It was reaching out in all directions

over South Dakota, with lines in operation to Aberdeen, Mitchell, Woonsocket, and Chamberlain. It went down into Missouri to Kansas City, and up to Edgley, North Dakota. In the early days its managers had themselves aspired to the ownership of the St. Paul & Pacific, and were greatly disappointed when it escaped from their hands. It understood, better than most others, the value and possibilities of the new country to the west and northwest. As a subsequent chapter in its history showed, it also meant to get through to the Pacific by one means or another. Its total common and preferred stock, in 1901, was in excess of $100,000,000 and its funded debt almost $127,000,000.

The Chicago, Burlington & Quincy, the third possibility, was one of the best-constructed, best-managed, and most profitably operated systems in the West. A glance at the map instantly confirms the opinion that it would be the one best suited to the particular purposes in the minds of Mr. Hill and those who were to join with him in this project. It had its own line from Chicago to St. Paul, well built, well handled, and with good terminal facilities and connections. It had a network of lines in northwestern Illinois, reached Peoria and Quincy, and ran thence to St. Louis. It covered southern Iowa and northern Missouri, from Burlington to Omaha and from Omaha to St. Joseph, Kansas City, and St. Louis. Across southern Nebraska its lines stretched, with termini at Denver and Cheyenne.

Northwest it had a line straight up to and through the Black Hills to Billings, in Montana. To add this system to the Great Northern and the Northern Pacific would be almost like clasping tight together and making homogeneous the two slightly separated parts of one great transportation whole. The total length of lines operated by it in 1901, exclusive of systems leased or otherwise controlled, was 7,911. The Burlington, or "Q," as it was called, had been organized under another name as early as 1849. It absorbed one line after another and built steadily, growing rich and powerful because it ran through one of the best traffic countries in the West. Tributary to it were the fertile lands of northern Illinois, Iowa, and Nebraska, the coal mines of Illinois and Iowa, the river valleys of the Mississippi and its tributaries, and now the mining industries of Colorado and the Black Hills. During its existence it had paid out, up to 1901, regular cash dividends of more than $127,000,000 besides $6,700,000 in stock distributed. Its capital stock in 1901 was, in round numbers $110,500,000 and its funded debt a little more than $145,000,000.

Mr. Hill and Mr. Morgan, who were working with a friendly understanding, as they did so long as they both lived, held different views as to the best system to add to their own. Mr. Morgan, because of his many eastern affiliations, preferred to take up the possible purchase of the Chicago, Milwaukee & St. Paul.

He described the situation as he saw it, on the stand as a witness in the Northern Securities case. He said: "I think it was in 1899 that I made up my mind that it was essential that the Northern Pacific Railway should have its eastern terminus practically in Chicago. I talked it over with a great many people interested in the Northern Pacific and I found that all agreed with me, and the question came up as to how it best could be done. I came to the conclusion that there were but three lines available, the St. Paul, the Chicago, Burlington & Quincy, and the Wisconsin Central. I made up my mind that I would rather have the St. Paul. Soon after that I met Mr. Hill and I said: 'Mr. Hill, I think that the best thing we could do—I think your line perhaps is in the same condition—I think we had better go to work and secure the St. Paul road or a road to Chicago and if you will share with us we will do it together'; and he said, 'All right.' So he said; 'Who would take it up?' I said: 'I will. I think we had better take the St. Paul.' He said he thought we had better take the Burlington. I said I would rather have the St. Paul because the financial responsibility would be less. He did not agree with me but he acquiesced with my decision, and I took it up with the directors of the road." The gist of Mr. Morgan's testimony is that Mr. Hill preferred the Burlington because he thought it was better situated than the St. Paul for handling interior freight business destined for the

Pacific. After some negotiations the directors of the St. Paul refused to sell the road on any terms; "they would not even name terms; so," says Mr. Morgan, "I went to Mr. Hill and told him: 'You can go ahead and see what you can do with the Burlington.'"

The idea of using the Burlington as a Chicago connection and a line to the south had been in Mr. Hill's mind for some time. He said that the earliest consideration of it as a practical possibility was in 1897. He had talked the matter over with some London friends, but it was a larger undertaking than they cared to assume for the Great Northern alone. It would be equally available for the Northern Pacific, but at that time the latter had too many troubles of its own to be looking for a new one. The matter slumbered until the failure of negotiations with the St. Paul brought Mr. Morgan over to Mr. Hill's point of view. The latter's main reasons for preferring the Burlington were given in the published statement with which the preceding chapter concluded. He had studied the question—country, products, markets, lines of development—until he saw it all as a geometrician sees a diagram in a book. "In relation to the Great Northern and Northern Pacific," said another authority, "the Burlington is like the point and moldboard of a plough, the beam and handles of which are constituted by the former systems." Its acquisition had become another of Mr. Hill's enthusiasms. His argu-

ment had a dozen postulates before it, and as many corollaries behind. There was the demand of Oriental trade. "We have to look not only to cotton, but to anything that will furnish us business going to the West, whether it is going to the Pacific Coast or to Alaska, or to Honolulu, or to the Orient or Manila—anywhere; we must try everything. During the season of open water, during the season of navigation, we can make rates from Buffalo and the lower lake ports by way of Lake Superior on our own lines, but that does not reach to the South, and only takes the manufacturing districts south of the lakes during the season of navigation. A line reaching St. Louis and all the trunk lines of the South and the trunk lines of the East, between St. Louis and Chicago, puts us in a vastly different position; and that is the reason why it was of such importance for us to control the situation. We could not control it without controlling the access to the main centres. We could not control it unless we could give a market for the production of the line—products raised along our road—whether it was out of the mine, from the farm, or out of the forest. If the man who produced it could not sell it, he would stop producing. And that was the problem we had to meet, and with the Burlington we find ourselves able to meet it."

There was the matter of fuel demand and supply. "The Great Northern Railway Company and the Northern Pacific Railway Company have an interest

in this country and in people living here. Our winters are cold, it would be difficult for them to live here without fuel, and it is a very serious matter for the railways. We don't know now that we will be able to run our trains to the 1st of February, with the lack of supply of coal, without bringing coal from Illinois, and we don't know but we will have to give up a portion of our supply of steam coal to keep people from freezing before spring. It is due to the inability of the railroads between Lake Erie and the mines in West Virginia, Pennsylvania, and Ohio to move the coal. They are unable to move the coal up to Lake Erie ports, and we are unable to get a supply. At this time we have not been able to get one half of our purchases for the year, and navigation will close some time next month. That is the importance of the control for us of access to the coal mines of Illinois, which are the nearest coal mines to this country, and the importance of that will be apparent more and more as time goes on."

Here as always, his public utterances, when checked by his personal correspondence with friends and others who were interested with him financially, ring true. The above quotations are extracts from his testimony. In April, 1901, with the deal just closed, he wrote to Lord Mount Stephen: "The best traffic of the Great Northern and Northern Pacific is the cotton and provisions west and the lumber and timber eastbound. The San Francisco lines run through the cot-

ton country from New Orleans through Texas and Arkansas. The great provision centres are Kansas City, St. Joseph, Omaha, Chicago, and St. Louis, none of which are reached directly by the Great Northern or Northern Pacific. Both companies have to divide the through rate with some other line to reach those important points. Now as to lumber from the coast, we have to divide our rate with lines south to reach Chicago, Wisconsin, Illinois, St. Louis, Iowa, Nebraska, Kansas, etc. The Burlington lets us into all these districts and commercial centres, over better lines and with better terminals than any other road." He never changed his opinion of the value of this studied development of his system. Years later, in making a summary of it, he wrote: "The last and most important step was the Burlington purchase, in connection with the Northern Pacific, which places our lines on a permanent basis as an independent railway system, which includes within itself all the necessary conditions of production and distribution which will for all time give the property great internal strength, covering a wide distribution of traffic resources with access to all the best markets, so that we can never again be dependent on one, two, or even three crops for our revenue. Nor will a failure of wheat or corn be so serious a matter as formerly."

Last, but perhaps not least, there was another good reason for wishing to take the Burlington into camp.

The Union Pacific people had already been nibbling at this tempting bait. They had visions of a control which would give them undisputed sway south of the Northern Pacific line and through the Middle West. They also wanted to build a fence across the southern and eastern line of their northern rivals. They aspired to domination of all the country west of the Mississippi, save a northern strip reduced to such helplessness that it, too, would finally be absorbed. Mr. Harriman and Mr. Schiff took up the purchase of the Burlington with Mr. Perkins and Mr. Harris, who represented it. Mr. Perkins had what amounted practically to an option on the property. Mr. Harriman made an offer, but it was too low to be taken into serious consideration. Then, believing that he could make terms satisfactory to himself later, he went back to New York. During the fall of 1900 or early in 1901, Union Pacific interests had purchased eight or nine million dollars' worth of Burlington stock in the open market. Not enough of it could be obtained in this way for a control, and the enterprise was stopped by Mr. Hill's negotiations. His ear was quick to catch the warning signal. The Burlington in Union Pacific hands would be even more dangerous as an enemy than it would be profitable in his own hands as an ally.

As usual where he was in command, no time was wasted. When negotiations were opened with the directors of the Burlington, about the middle of March, 1901, no attempt

was made by Mr. Hill or Mr. Morgan or anybody connected with either of the purchasing railroads to approach individuals or brokers or to obtain any of the stock in open market. Neither man would have dreamed of it for a moment. Each of them repudiated vigorously the idea of any transaction for so much as a single share on private or firm account. This was a deal to be concluded exclusively by and for the railroad companies concerned. The stockholders of the Burlington were widely scattered. A large number who had inherited their holdings did not care to sell at any price. The directors of the road believed that if they could obtain the figure they asked for the stock they would be making a good bargain for its owners, and the event proved them right. Their executive committee entered into this negotiation. The price of $200 a share was agreed upon. It could not fail to satisfy the old holders of the securities, who saw their property valued at a figure above their most sanguine hope. What the other parties interested thought was stated by Mr. Morgan; and reflects light, not only on a transaction that caused surprise at the time, but upon the character of Mr. Hill, as understood by his business associates. Mr. Morgan said: "It was the only price at which it could be bought and we had great difficulty in getting it at that; and, in the next place, I felt, and Mr. Hill must have felt also—because he does not think of making transactions he does not think are profitable—

that it was worth a great deal more than that for the purpose for which we wanted it, and it would pay a large profit. He thought it would pay both the Northern Pacific and Great Northern a profit on that price." He explained carefully and emphatically that by this he meant not only a profit for the purpose for which it was wanted, but a profit in operation on its own account. Any one who will take the trouble to look up the traffic and revenue records of the Burlington system, comparing those prior to the date of sale with those under its later management, will learn that his opinion was correct.

So speedily had the great transaction been carried through that the sale was agreed upon, subject to the approval of both parties, in March, 1901. Both the courts and the public accepted the facts to be as stated briefly by Mr. Hill's counsel in the Northern Securities case: "The evidence is, therefore, uncontradicted and conclusive that the Great Northern and Northern Pacific Companies each purchased an equal number of shares of Burlington stock as the best means and for the sole purpose of reaching the best markets for the products of the territories along the lines, and of securing connections which would furnish the largest amount of traffic for their respective roads, increase the trade and interchange of commodities between the regions traversed by the Burlington lines and their connections and the regions traversed or reached

by the Great Northern and Northern Pacific lines, and by their connecting lines of shipping on the Pacific Ocean, and as the best, if not the only, means of furnishing an indispensable supply of fuel for their own use and for the inhabitants of the country traversed by their lines."

At the directors' meeting of the Great Northern Railway Company of April 20, 1901, a preamble and resolutions covering this important deal were adopted. These stated the opinion of the board to be that it was desirable and for the best interests of the company that it should obtain, either separately "or in harmony and connection with the Northern Pacific Railway Company," an interest in the Chicago, Burlington, & Quincy Railroad Company. After asserting that it could not be obtained except by such joint purchase and the issue of 4 per cent. joint bonds at the rate of $200 par value for each $100 par value to be acquired, and that the Northern Pacific had agreed to the proposal, the president was authorized to enter into this agreement for the purchase of the whole or not less than two thirds of the shares of capital stock of the Chicago, Burlington, & Quincy Railroad Company. The two systems actually acquired 96.79 per cent. of the total authorized issue. The report of the president for June 30, 1901, covers all these transactions officially as follows: "The Great Northern Railway Company and the Northern Pacific Railway Company have

jointly purchased 1,075,772 shares of the capital stock of the Chicago, Burlington & Quincy Railroad Company, and in payment for the same have issued their Joint Collateral Trust Bonds and scrip to the amount of $215,154,000. Further bonds of the same series, up to a total of $222,400,000, may be issued for acquiring the residue of the stock." "The Burlington system includes 7,992.60 miles of standard gauge railroad (on which are 423.15 miles of second track, making 8,415.75 miles of standard gauge single track) and 178.77 miles of narrow gauge railroad. It is located in the states of Illinois, Iowa, Missouri, Nebraska, Kansas, Colorado, Wyoming, South Dakota, and Montana, a territory of great extent; rich in all resources except timber; already well populated and developed and containing many large cities." "The Burlington is favourably located, with ample terminals in the important traffic centres of this territory, including Chicago, St. Louis, Peoria, Kansas City, St. Joseph, Omaha, Denver, St. Paul, Minneapolis, Burlington, and Des Moines. The territory served by the Burlington produces most of the machinery and implements used on the farms, in the forests, mines, and mills of the tier of states reached by the Great Northern and Northern Pacific. It also produces a large part of the iron and steel products exported to Asia via the Pacific Ocean. Chicago, Kansas City, St. Joseph, and Omaha, are the largest provision centres in the country. At St. Louis it

connects with the chief cotton-carrying lines of the South and Southwest. On the other hand, the Burlington territory takes for fattening the live stock raised on the northern and western farms and ranches. It consumes lumber in all shapes on a large scale."

Writing personally to Lord Mount Stephen, Mr. Hill said: "It is true we pay a great price for the property. This could not be avoided. Seventy-five million dollars or $80,000,000 of the Chicago, Burlington & Quincy is held by small holders, many of whom got it by inheritance. The average holding of the stock by the company's books is 68 shares, in the hands of nearly 15,000 stockholders. . . . Our plan is based on securing not less than two thirds of the 'Q' shares which enables us to form a new company which will lease the property to the present company, the rental being the interest on the bonds paid for the purchase; the stock of the new company to be divided between the Great Northern and the Northern Pacific equally, $50,000,000 to each. The new bonds to be payable at our option any time after five years."

If the price, measured by the 175 to 180 at which the stock had previously sold in the market, was high, there were two compensations. First, the property could not have been bought for any less; indeed, the new owners might congratulate themselves on being able to get it at all. Second, it was actually cheap when measured by mileage cost and earning power.

On these points Mr. Hill said: "The matter was the subject of negotiation on several occasions. The books or transcripts of the accounts were produced, showing its earnings—the income—I remember its income as shown was $10,400,000, including the sinking fund, and that was more than 10 per cent. on the outstanding stock at that time, or about 10 per cent. The Burlington road had a very heavy sinking fund; for many years the miles of main track—something more than 8,000—had a bonded debt, less the sinking fund, of about $15,800 a mile, and stock was about $13,000 a mile. Take the Burlington stock at 200 and add to it the bonded debt per mile of the road and it would give the average cost of the Burlington about $42,000 a mile, which was about what it cost us; that is $10,000 or $12,000 a mile less than any of these granger roads are selling at on the market. In other words, the Burlington was the cheapest property altogether, and reached the points we desired to reach, and it would cost us less money per mile than it would to have acquired any other."

A few weeks later he sent to the same associate of his thought as well as of his work, a lengthy exposition of the broad lines of American railroad development. The Burlington purchase appears there in its true place; not as an act of aggrandizement, but as one of the pieces in a big mosaic which was being put together according to a predestined pattern by forces so great, so far above any permanent individual contradiction or interference,

that he looked upon himself as their servitor: "The recent combinations of railway lines in this country, following what has occurred in England, are rapidly bringing the properties into groups, generally on the basis of territorial control. About all the lines south of Washington are under the control of the Southern Railway. The Pennsylvania controls the Norfolk & Western, Chesapeake & Ohio, Baltimore & Ohio, and in fact all the lines between the Southern Railway lines and the Erie, as far west as St. Louis. The New York Central controls the Michigan Central and Canada Southern, a large mileage in Michigan, the Lake Shore, Nickel Plate, Big Four, and practically all the lines between the Pennsylvania Company's lines and the Great Lakes except the Erie, and I have no doubt they or the Pennsylvania Company will control the Erie in a very short time. The Union Pacific now controls the Southern and Central Pacific, the Colorado, Denver & Gulf, the Chicago & Alton, and other lines in that territory. They also tried hard to control the Chicago, Burlington & Quincy but failed. The Chicago & Northwestern Railway is controlled by the New York Central people. This concentration of lines has already resulted in arrangements between the lines east of Chicago which practically farm out or divide the western traffic in both directions so as to take the lion's share of the rates for the lines east of Chicago. The old companies like the Alton, the Rock Island and, to a

degree, the Chicago, Burlington & Quincy, and the St. Paul are forced to accept divisions of rates and conditions which have practically made them no longer independent. For these years past the trunk lines east of Buffalo demanded from us that we should hand over to them the rate-making power of our Northern Steamship Company's boats on the lakes. So far we have been able to prevent this for the reason that our lines originate so large a grain and flour traffic that we have been able to hold open both the Lackawanna and the Lehigh. However, even these lines are, during the past year, passing under the control of interests allied with the trunk lines. The time had arrived when we should make our own territorial combination."

It need only be added that the purchase in every way justified the calculations of the men who advocated it. In the same letter Mr. Hill outlined vigorously the new strategic position: "With the Great Northern, Northern Pacific, and Chicago, Burlington & Quincy under one grand control, we have placed ourselves in a position of strength as to traffic, terminal cities and terminal facilities, and territorial control, which is now the strongest in the West and will daily grow stronger. We have secured another advantage by being in the best position to receive the western movement of population, which is beginning to assume proportions never before reached in the settlement of this country. Now, where have we lost anything? I must say that I am

not able to see any such loss. We may have a year or two of hard work, but the end attained will be well worth the effort, and the result will be that we will have a compact property, well in hand, with a constantly increasing future from natural and constant causes."

The Burlington remained a powerful system. Neither its shareholders nor its public had any reason to regret the transfer of control. Its business increased, especially to the south and southwest. Nowhere was it injured. Mr. Hill put into effect upon it the methods proved so successful wherever he had applied them. He sought and found economies in operation that made its reports a cause of pride to him. His directing mind and hand were behind its accomplishment. He saw, scrutinized, analyzed, corrected. Not only as an explanation of the new progress of the Burlington, but as a light thrown upon his grasp of practical method and the way he enforced it everywhere, the following letter to an official, having almost the precision of a military order, is given here: "In looking over the performance sheet I can readily see how you would increase your engine power very materially without much expense and no outlay by increasing the train load. To illustrate: The figures show between Savannah and St. Paul four freights a day each way with an average of 400 tons each. A good engine on that division can easily haul 2,000 tons in a train, or more than the four trains are hauling, and if they haul

but 800 tons, which is only 40 per cent. of the capacity of the engines, the number of engines used would be cut in two. The same thing applies to cars, although in a somewhat less extent. I have frequently said that this is not a matter that can be regulated in a day, at the same time there is so very much room for improvement in the matter of train loading and saving in train miles that there is nothing connected with the entire operation of the Burlington road which calls for as close attention and that will give as good results. Every engine on the road in service beyond what is necessary to do the work adds directly to the expense." Five years after the road came under the new control, the normal average train load had risen from 200 to 376 tons per train. The Burlington was then handling, with a smaller number of trains, a traffic more than half as large again as it was in 1901. This is a practical demonstration of what Mr. Hill's system of railroad operation could accomplish.

The reasons that he had given before the event were found valid afterward. He said that the buying of the Burlington had increased commerce between the states and with foreign nations more rapidly than he had known business of such magnitude to grow in his forty years' experience. The total tonnage of the Great Northern increased about 30 per cent. The foreign business increased more than 100 per cent. The Northern Pacific reaped a similar benefit. He summed up in the

following words the broad general effects of a policy which had been fitted to national and international requirements. This is what constitutes its greatness and his, as compared with internal reorganizations which look no farther than the progress of the system to which they are applied: "It has created traffic. Now, how much of that traffic would have been created or would have existed, it is very difficult for me or anybody else to say. But we know that the traffic has increased since the acquisition of the Burlington to an enormous extent, and we know further that we are able, not to compete alone with railways, for that is a small matter in this business, but to compete in the matter of rates with the ships going from New Orleans or from Galveston, or the railways carrying it anywhere, or in connection with any other system of transportation. Now, we are able to make a rate that will take that business."

Finally, the matter is brought down to the ultimate test, its consequences for the public as a whole. While the pieces were being shifted in the big game and the players were winning, how did the people fare? The answer is unequivocal. Along with increased business and profits went decreased rates. Mr. Hill said, at the same time that he made the statements quoted above: "We have been able to reduce rates from 10 to 15 per cent. in a year on the local business between the Pacific Coast and the Twin Cities and Lake Superior. The

Northern Pacific rates have also been reduced, and their revenue has been such as to enable them to make this reduction, without any reduction of their dividends." No act, no policy in the history of American railroading was more completely vindicated. None was less the offshoot of impulse, personal ambition, or the will to wealth and power. None was more simply the embodiment of a thought so true and living that it compelled events themselves to realize and to justify it. It was a natural and almost necessary evolution from Mr. Hill's whole career as a master of transportation. So was completed the first part of the trilogy.

## CHAPTER TWENTY-EIGHT

### A BATTLE OF GIANTS

THE prologue to the second portion of the trilogy had been prepared before the action of the first was completed. Late in 1900 or early in 1901, the Union Pacific interests had, as has been said, bought some eight or nine million dollars of the stock of the Burlington. The same idea was in more than one mind. The struggle for control of mighty machines of transportation and the business of an empire did not originate in a day. Its tap root was not local ambition or personal pique. Whatever attitude one may take toward the several actors in the drama, he would misjudge them absurdly if he measured them by any such picayune standard. Giants in power, they were also above the common stature in judgment, strategy, anticipation of events and their logic, clear understanding of ways and means. One who turns back to the chapters on the reorganization of the Northern Pacific and on early railroad developments and struggles in the Pacific Northwest will find there germs of trouble. The situation was not unlike that in the Balkans in the summer of 1914. Spheres of influence, not yet determined, overlapped their claims. Debatable ground was coveted on

both sides. Between North and South, west of the Mississippi River, there was, in the railroad world, another irrepressible conflict. Should this immense portion of the continent be virtually controlled by one system, with a France and a Belgium remaining here and there so long as they did not assert an independence too great, or should there be different groups of railroads, and consenting community of interests between powerful equals? That, at bottom, was the question to be decided. The two contradictory principles were personified in Mr. Harriman and Mr. Hill. The purchase of the Burlington fired the first gun; because it established, if confirmed and uninterfered with, a permanent advantage.

There is abundance of data here, because the facts were subsequently threshed out over and over again in the courts. The Northern Securities Company trod upon the heels of the struggle for control of the Northern Pacific, which itself was an immediate consequence of the annexation of the Burlington by that road and the Great Northern. It led a litigious life. In one suit after another, carried on bitterly by state and national authorities, it was hunted from court to court and all its antecedent affiliations were brought to light. Among these, both the Burlington purchase and the struggle for the Northern Pacific played leading parts. The most trifling detail was examined and read into the record. All the principal actors, Mr. Hill, Mr. Morgan, Mr.

Harriman, Mr. Schiff, and their understudies in the telling situations were on the witness stand. The ablest counsel in the country saw to it that nothing material should be omitted or remain unexplained. Motives were probed, and suspicions light as air examined as Holy Writ is searched.

Mr. Hill was a central figure. He was surrounded and supported by those to whom a lifetime of fidelity had made him not only a leader but a friend. About the rock of his purpose and his magnificent steadfastness to his word, the waves of the frenzied storm of May, 1901, raged in vain. It is far from the most important, but it is one of the most dramatic, episodes of his career. The opposing interest to Mr. Hill and Mr. Morgan, who represented the Great Northern and the Northern Pacific, was the group that may for convenience be designated as the Union Pacific interest. Sometimes the properties named, the holders of stocks, the acting agents, were other corporations or individuals: the Oregon Short Line, the Southern Pacific, one or other of the big financial houses in New York that were backing this combination. But always, if the action is to be free and the understanding simple, they may be summed up in the name of one man and the insistence of one idea. The man was Mr. E. H. Harriman, whose rise and power were shown with sufficient fullness for the purpose of this work in the chapters already referred to. The idea was that neither the

group of railroad interests dominant in the South nor that in the North must permit its power to be impaired, its expansion limited, by a too great preponderance of the other in intermediate territory. For years the forces on both sides had been mobilizing. Now they came into contact.

It has been mentioned that Union Pacific interests had, late in 1900 or very early in 1901, bought in the market a relatively small stock interest in the Burlington. Finding this route a "no thoroughfare," they had sold it again. Mr. Hill was not ignorant of the significance of this. Neither was Mr. Morgan, to whom, as more particularly responsible for the financial future of Northern Pacific, it was of even greater interest. For the Burlington system and the Burlington territory alone intervened as neutral ground between the Northern Pacific and the Union Pacific. The Milwaukee & St. Paul had not yet built its Puget Sound extension. It and the Northwestern were in the field, but did not hold it strategically. Yet Mr. Morgan did not grasp fully the significance or the danger of the occasion. One has but to consider what would have happened if it had proved feasible to carry out his plan for the purchase of the St. Paul, to which Mr. Hill had at first reluctantly yielded. Undoubtedly Union Pacific interests would then have bought the Burlington. They would have had, at that time and for the ends aimed at, the stronger ally. The dangers to which the northern

transcontinentals and their territory were exposed would have been lessened, but by no means removed. The situation would have remained serious, and the struggle must have continued almost indefinitely.

Early in March the Union Pacific interests, using the term as defined above, because sometimes one and sometimes another of the men included were acting, sometimes they represented themselves as individuals and sometimes acted for one or all of the interests concerned, made a request for a share in the Burlington property. They proposed to put up part of the cash and receive representation and influence. But the buyers refused. They had seen their peril. They realized the value of their holding. Not only were they practically in possession of a useful and remunerative property, but they had interposed a buffer between their territory and that of their most aggressive rival. They saw no reason to exchange a certain victory for a doubtful truce. The incident was closed. These things had not been done in a corner. The Union Pacific people knew what was in the wind, for Mr. Hill had advised them of it himself. He wrote to one of those interested with him in the negotiations, May 16, 1901: "So as to remove any ground for the charge that we were working secretly to acquire the Chicago, Burlington & Quincy, I said to [one of the representatives of the Union Pacific interests] in January that if he at any time heard that we were conferring with the 'Q' board of directors

looking to the joint acquisition of that property, I wanted to be the first one to tell him that we intended to take up the matter seriously. In April, after Mr. Morgan had gone abroad and the Burlington matter was taking definite shape, I again told him that matters were progressing toward a close. He said he should have bought Burlington in the market and saved the advance." Mr. Hill replied that the other side had tried that method themselves, and "found themselves up against a stone wall," consisting of the great body of small shareholders, "who would not even give him one director, and who resented his attempt to buy into their company." "I told him our plan was an open and fair attempt to agree with the 'Q' board, as the only means of gaining control of that property."

The Union Pacific interests felt that they could no more submit quietly to this latest development than the Great Northern and the Northern Pacific would have felt that they could acquiesce in Union Pacific ownership of the Burlington. Every argument adduced by Mr. Hill in his statement in favour of the control that he had secured was an argument in Mr. Harriman's mind why it could not be allowed to stand. Every possibility of alleged encroachment to the north revealed new attractions of the prize that had been snatched from him. In that system paralleling his own, in that territory not to be demarcated from his own, from Chicago west to Denver and Cheyenne, he

saw potentialities of endless trouble. When the Union Pacific people demanded a participation in the purchase, the answer was that it was against the law, because the Union Pacific and the Burlington were undeniably parallel and competing systems in an important territory. Also, the directors of the Burlington were unwilling to sell where the Union Pacific would be a party. Shortly after buying the Burlington, a road leading to important coal mines in Illinois was added. The Union Pacific people asked that it be turned over to the Alton, and that the Burlington should buy its supply of coal from the Alton road. "The railroad coal used on the eastern end of the two northern lines," said Mr. Hill in a letter at this time, "amounts to something over a million and a half tons a year, or over five thousand tons a day, and the coal for domestic and other use to about fifteen hundred or two thousand tons a day more. You will see at once how unreasonable it would be for the Burlington and the northern roads to depend upon some other line and some other mines for a permanent supply of coal without which the roads could not be operated nor could the people live in our northern country during the winters." Probably some or all of these demands were intended to lay a foundation for the policy that was now to be adopted; to give a colour of reason for the hostilities that were soon to be begun secretly and in full force.

If Mr. Harriman could not get the less, he must take

the greater. He would buy the mare to get the filly. He formed a project whose daring commands admiration from friend and foe; whose execution was so swift, so unsparing, so successful, that but for a single oversight his stroke would have gone home. Had he won to his goal, the future of the Great Northern would have been limited and uncertain indeed. The Union Pacific interests had determined on nothing less than the capture of the Northern Pacific itself, by purchasing a majority of its stock. The boldness of the plan, so different now in magnitude from the old days when Mr. Villard had realized it—$78,000,000 to put up instead of $8,000,000—allied it to a work of genius. From those two grim old lions who guarded the way, the quarry was to be snatched before they sensed the presence of an enemy. The implications of the project were tremendous. Suppose the Union Pacific interests gained control of Northern Pacific. At once the Great Northern would have had to make terms with its new owners, or bear the brunt of incessant hostile attack along two thousand miles of battle front. It would have been shut into the narrow strip between its line and the Canadian border. As the Union Pacific would succeed also to a half interest in the Burlington, the situation there would be a permanent deadlock. All the system of relations and the scheme of traffic worked out so carefully by Mr. Hill would have been either suspended or destroyed. There could be but one issue from a posi-

tion so intolerable. He would have had to make the best terms he could. And the terms dictated by an interest that would then have reached from New Orleans and Galveston to Winnipeg, and from San Francisco and Portland and Tacoma to Chicago and St. Paul and Duluth, were not likely to be tolerable. The victor could have made them almost what he pleased.

With a clear vision of this, making the great venture worth while, win or lose, the Union Pacific interests started their campaign for buying control of Northern Pacific. After all, it was not such a hopeless bit of crusading as it seemed at first glance. The latter company had outstanding $80,000,000 of common and $75,000,000 of preferred stock. Holders of both shared in the control and direction of the property. It was not the custom for the managers and directors of a railroad system to own an absolute majority of its stock. From 30 to 40 per cent. was usually deemed ample to secure or protect control. Mr. Hill personally never needed anything like that amount. The loyalty of his stockholders made it unnecessary. He said, speaking of this very occasion: "I may say that I think I controlled the policy of the Great Northern Railway Company and its predecessor as fully as the policy of any railway ever was controlled in this country, and I never owned more than 10 or 12 per cent. I never owned a majority of the stock, but I always had a following of good, loyal stockholders, and the men who were most active,

covering about 33 or 35 millions out of 125 millions, practically formed the company, and they desired that their other shareholders, whoever they were, new or old, might participate in anything that they were doing, if they thought it would be any advantage to them as shareholders." There was little possibility of uniting the scattered stockholders, representing the balance of power in any large corporation, into a coherent opposition which could overthrow those in control. At worst, no such operation in Northern Pacific was likely to be carried through without sending bubbles to the surface in time to give ample warning.

So the interests represented by Mr. Hill and Mr. Morgan did not have a majority of its stock. It had not occurred to them that they would need it. There was no dissatisfaction in their camp. They did not do business that way. A frontal attack was something they did not expect. For once in their lives they were caught napping. They had not overlooked the possibility, they had discounted it. Examining it coldly, they had dismissed it as a chimera. Mr. Hill said: "As I remember it, one of our directors raised a question that inasmuch as the purchase of the Burlington stock and the creation of a bond to pay for it involved the joint and several liability of the entire amount of the purchase, it was a matter of consequence to the Great Northern to know that the Northern Pacific would not pass into the hands of people who might be interested

in other directions, in developing in other directions or other sections of the country; and I remember I answered that, with what myself and friends held at that time and what Morgan & Company held, we would have somewhere in the neighbourhood of 35 or 40 millions of the stock out of a total of 155 millions, which was larger than is usually held in any of the large companies. I did not think at the time that it was at all likely that anybody would undertake to buy in the market the control of 155 millions of stock." In March, 1901, Mr. Hill said that he had no knowledge of any Union Pacific parties holding stock in the Northern Pacific. Early in May they advised him that they had secured a substantial control. And they had reason to believe it. So lightning-like was the assault.

Mr. Hill was under no illusion as to what the success of the Union Pacific in this foray would mean. It was the counterstroke to the Burlington purchase. Every consideration which made the latter advisable made the former ruinous. This was not a question of prestige, it was a matter of life or death. At the time, and again in later years, he described it as such. "The value of the property would be destroyed. Its growth would be restricted. It would be controlled in the interests of another property or body for the reason that it would be restricted or might be restricted so as not to interfere with the growth of the other property. We were making great efforts, and very successful

efforts, at that time, to settle up all this northern section between the Great Lakes and Puget Sound, and bringing in an enormous number of people, many of these people coming from the line of the Union Pacific in Kansas and the Southwest, bringing them up here. And I remember one reason why they wanted to get a joint interest in the Burlington; they said we were getting too strong for them, we were going down into their country and taking people from there. That was one of the reasons they gave." Still more explicitly he explained the inevitable consequences. "If that stock had not been redeemed, and the Union Pacific controlled the Northern Pacific, and half the Burlington, they would very soon control the Great Northern. Because if the Union Pacific controlled the Northern Pacific and controlled the Burlington to the extent that the Northern Pacific half-interest would control it, we would be deprived of any access that we could control for a moment longer than the good will of another company; and we could not go on building up a business on any such condition. And let me add, further, if I may, that it would have almost destroyed the value of the Great Northern property or its shares for its shareholders. I would have recommended them to sell their line at once on the best terms they could get. It was not a question of competition. It was a question of physical inability to reach the market. We would be shut out from the markets." Mr. Morgan,

of course, who had handled the reorganization of the Northern Pacific, and had both pride in his work and interest in the outcome, was not handing it over to a rival if he could help it.

The secret had been well kept. During the month of April the Union Pacific interests were quietly gathering in all the Northern Pacific stock they could reach. Many holders who were friendly to those in control were taken unaware and, to their lasting regret, parted with their shares without any idea of the purpose for which possession of them was to be used. One stockholder to the extent of three and a half millions had already sold when he received a telegram from Mr. Hill asking him not to. He said afterward that he would rather have burned his stock if he had known what it meant. This buying continued through the first week in May; and by that time the Union Pacific people had secured $41,000,000 of preferred and $37,000,000 of common. The total, $78,000,000, was a clear majority of the $155,000,000 outstanding capital stock of the Northern Pacific. They believed that they had a sure control and rested on their oars.

After the Burlington purchase had been concluded, Mr. Morgan, whose health was poor, went abroad. His first news was that the control of Northern Pacific was in danger, if it had not already been lost. Mr. Hill and his friends, who were advised at last, by the steady rise in price of the stock and by whispers of something

going on, such as inevitably circulate in the most covert transactions, had now sized up the situation. It was very late in the day and much ground had been lost. On the second day of May, only one week before the storm burst, Morgan & Company had, in the ordinary course of business, unsuspectingly sold more than a million dollars of Northern Pacific. On the same date the treasurer of one of the proprietary companies of the Northern Pacific sold 13,000 shares of the common stock. Mr. Hill had reached New York only the day before. He lost no time. The steady rise in price to from $110 to $120 was to him like a steady fall of the barometer. Soon, also, glittering possibilities were dangled before him. He was assured that control of the Northern Pacific had already passed into other hands and would be held there firmly. But his position and his power, he was told, would be made greater than ever before. It was a kingly crown in the railroad world that was offered to him. This was his reply: "I simply said that it was not necessary to bribe me to do the fair and respectable thing toward so close a neighbour as the Union Pacific; and on the other hand I could not be bribed to do wrong in any way. I at once told Mr. Baker and Mr. Perkins, they wired Morgan, you know the result." The cat was out of the bag. Mr. Morgan was advised by cable, and he and his friends and Mr. Hill took counsel. On May 7, Mr. Hill and his friends on whom he could depend held

only from $18,000,000 to $20,000,000 of common, and the Morgan Company from $7,000,000 to $8,000,000. At a disadvantage here, they had the all-important certainty in their minds that upon the common stock alone rested the ultimate control of the property. The $37,000,000 held by the Union Pacific was less than a majority of $80,000,000; but the margin was fearfully narrow.

Everybody knew what it would mean to go into the market and buy the amount necessary to convert the Hill-Morgan holdings into a majority. Prices would soar; speculative purchases and sales would confuse and impede the transaction; and the almost irresistible temptation would be offered to those really friendly, but not absolutely identical in interest, to sell out at the big figures that were offered. It was a time when millions, literally, were to be made, not by treachery, but merely by a lesion in friendship. But it was a time when men counted for as much as millions. Absolute confidence existed between the two men most concerned. Exactly as the four associates made all their arrangements to buy St. Paul & Pacific, and pledged their "fortunes and their sacred honour" without a word in writing, so Mr. Hill and Mr. Morgan agreed to stand by each other, let come what might. It was man's word against the world. Mr. Morgan described the position, his quick vision in a time of doubt and danger and his instant decision, in this

laconic fashion: "We had reorganized the Northern Pacific. We had placed all the securities of the Northern Pacific, and I knew, as I had always supposed, that there were people—friends of ours and other people—who held practically enough Northern Pacific—we always supposed we had with us people upon whom we could depend to protect our moral control of the property—and consequently when that news came to me I hadn't any doubt about the fact of the matter and at the same time this news came so strong, whoever had acquired it, I felt something must have happened. Somebody must have sold. I knew where certain stocks were, and I figured it up. I feel bound in all honour when I reorganize a property and am morally responsible for its management to protect it, and I generally do protect it; so I made up my mind that it would be desirable to buy 150,000 shares of stock, which we proceeded to do, and with that I knew we had a majority of common stock, and I knew that actually gave us the control and they couldn't take the minority and have it sacrificed to the Union Pacific interests."

That "which we proceeded to do," covering in five words an undertaking so great and apparently impossible, is delightful. What the Morgan firm had to do was to go into the market, where the waves were already telling of rapids and cataracts ahead, and buy about $15,000,000 of Northern Pacific stock. Before doing so they asked Mr. Hill if he and his friends would hold

their stock and not sell out. His reply was characteristic: "I said myself and friends would stand without hitching." And they did. For himself it was easy. Money could not make him break faith. To be able to answer in the same positive and confident way for the band of friends who had retained large interests in the projects with which they knew he was connected by ownership or by his personal activity, was something to be prouder of than possession of a dozen railroads. He appealed to their loyalty. The way in which those friends stood by him through this crucial time is one of the highest tributes that could be paid to any man. When the $15,000,000 of stock was bought and the sky cleared, the Union Pacific people were found with a majority of the total stock of the Northern Pacific. The Hill and Morgan interests had more than $42,500,000 of the common stock, a majority of about $3,000,000.

Dealings of this magnitude and meaning could not occur without shaking the financial world to the centre. The so-called panic of May 9, 1901, was the consequence. It was not a panic in the ordinary sense. Lurid tales have been told of the scenes of that great day, and the exciting efforts and excited words of the principals in the struggle. These are fairy stories. When Northern Pacific soared to the unheard-of price of $1,000 a share, brokers were not buying it for Mr. Hill or Mr. Morgan or Mr. Harriman or Kuhn, Loeb & Company. None of these men did business on those

terms. Before the crisis they had done what they could, and each side believed itself sure of victory. But the fact that the market was bare of Northern Pacific, while buyers were still eager to get it, sent prices rocketing. Many shareholders in the West and South sold their stock but could not deliver it immediately. Speculators who sold short saw the price jump point after point, and could not furnish the stock to stop their losses. But it was not what is ordinarily called a "corner." Nobody was trying to force prices up that he might sell at a profit. "How could we sell at any price?" said Mr. Hill; "we were investors. We were not speculators. I never bought or sold a share of stock for gambling purposes in my life. And I don't want to earn money wrung from people by a corner." This was not the kind of panic that originates in depression or want of confidence. Therefore, although it was the talk of two continents at the time, it produced no lasting consequences.

It could have done so if it had ended in a war to the death of the financial powers engaged. But nobody wanted that to happen. The facts and the immediate results were summed up thus by Mr. Hill: "There was a very strained financial condition; people were failing and the trouble was very great. Something had occurred that never had happened in New York before—an attempt to buy a control of $155,000,000 of stock on the market—and the high price caused

people to sell stock they did not own. The bankers and financial men of every description were deeply interested, not only in New York, but in London, and in financial centres on the continent, and the result was, I think, maybe two or three meetings. I know certainly there was one between the bankers at that time. The Union Pacific people claimed that they had the control by the ownership of a majority of the stock of the Northern Pacific Railroad; that wasn't conceded by Messrs. Bacon and I think Mr. Steele—Mr. Robert Bacon and Mr. Steele—because they knew they held, as long as myself and friends held our stock, a majority of the common stock which would control the property. They made an agreement that as far as the election of the directors was concerned they would leave it to Mr. Morgan to name the directors, and that was done." Somebody on the other side had suggested previously that all interests might be pooled, with one general direction of the combined properties; but Mr. Hill would not hear of it. "I simply said that such a combination was illegal, and even if it was legal was one that sooner or later would turn the courts of all the states against us, and for that reason it could not stand and should not be considered."

The great advantage of Mr. Hill in this struggle was that, having participated in the reorganization of the Northern Pacific, he knew the conditions under which its stock had been issued and by which it might be

retired. The Morgan firm, of course, had them by heart. The all-important one was that the preferred shares could be retired on any first of January prior to 1917. The Union Pacific interests could scarcely have been ignorant of this, but neither could they have appreciated what might be done under it, or they would have bought more common and less preferred. The election of the Board of Directors of the Northern Pacific was fixed for October. When the smoke cleared away, after May 9, the Union Pacific interests had stock enough to choose the next Board of Directors, since both classes of stock were entitled to vote at this election. With their friends in a majority, they could, if they were present and voted at the October meeting, name their own directors and so prevent the retirement of the preferred stock. On the other hand, the existing directory was, of course, friendly to and representative of those in possession. It had power to postpone the annual meeting from October till after January 1, 1902. Thus extending its own period of life, it could have retired that stock before its holders ever had a chance to vote. The defenders of the property had won a clear and undoubted victory.

Nothing was to be gained for either side by fighting. Both might have continued to tear up Wall Street and injure large property interests, including their own. They could have engaged in endless litigation, which would have cost a lot of money without

materially altering anything. They might have maintained their divided ownership of Northern Pacific and kept up a jolly tug-of-war until the rope broke. The end of that would be two pieces of rope, and two parties covered with bruises from some severe falls. After all their animosities, and with all that they had done or left undone, again it has to be remembered that on both sides these were big men. They were big not only by the measure of achievement, but also because they were not actuated by a blind, vindictive desire just to crush and kill. They were big enough to see that the interests in their charge ought not to be made coppers in a game of pitch and toss. They had already accepted, not merely as a theory but as a conviction, the necessity of community of interest to a certain extent. Recent events had broadened and instructed their view. Things being as they were, they were ready for some agreement.

They did not wait to scrap it out in October, but agreed to place the Northern Pacific interests practically without reserve in Mr. Morgan's hands. The following bulletin was published June 1, 1901: "It is officially announced that an understanding has been reached between the Northern Pacific and the Union Pacific interests under which the composition of the Northern Pacific Board will be left in the hands of J. P. Morgan. Certain names have already been suggested, not now to be made public, which will especially be recognized as

representative of common interests. It is asserted that complete and perfect harmony will result under the plan adopted between all interests involved." Shortly after May 9 a conference was held at Mr. Harriman's office, where all parties agreed that the Board of Directors to be elected at the annual meeting in October should be named by Mr. Morgan, and this agreement was carried out. Mr. Harriman was placed on the board of directors of the reorganized Burlington. Union Pacific interests received a representation on the new Northern Pacific board of directors. Mr. Hill explained it thus: "I don't know but they feared we would swallow them or something, and they professed great fear that the Burlington was going to build through to California and to southern California and what is known as the W. A. Clark road, building from Los Angeles into Utah. I remember being asked by some of them if our company or the Northern Pacific or the Burlington were connected with it or expected to be. I told them no; we were developing an entirely different section of the country, and we were not anxious to extend into southern California or San Francisco, and I think that largely led to those people being put into the Burlington board that they might be witnesses; that there was nobody going to dig pitfalls, etc., for them in that country."

November 13 a resolution was passed, giving notice of the retirement of Northern Pacific preferred stock. This was executed on the first day of January, 1902,

by the delivery of the stock to the Morgan firm for payment in cash at its par value. Before that date the whole face of affairs had changed. The idea of a holding company, latent in Mr. Hill's mind for a long time though for a more limited purpose, had been transformed into fact. The Northern Securities, expanded into a corporation which should hold the securities of these great properties and make them immune from future attack, promised to allay or remove antagonisms. Its chief stockholders would be a sort of General Staff for the transcontinental systems and their allies. For this last and greatest action of the trilogy the stage was already set and the actors ready with their rôles.

## CHAPTER TWENTY-NINE

### THE NORTHERN SECURITIES

AS THE *dénouement* approaches, the action quickens. The adoption, November 13, 1901, of a resolution directing the retirement of its preferred stock wrote "finis" after the struggle for control of the Northern Pacific. On the same date the Northern Securities Company was incorporated. This was more than coincidence. Although the strenuous denial that the new concern was a product of compromise between the interests so lately locked in deadly struggle must be accepted in good faith, although it is beyond question that the general idea of a holding company had been conceived by Mr. Hill years before and was but waiting a favourable opportunity to take material shape, it is hardly to be questioned that this process was hastened and the practical form in which the idea was now embodied was more or less modified by the stirring events to which this embodiment was a sequel. Succession in time did not prove a relation of cause and effect. It did indicate a kind of family tie. No work of human logic, no devotion to the dramatic unities, could have arranged with better art the procession of events that led to this concluding action of the

trilogy. The very principles by which the Great Northern had been constructed and operated made it certain, as has been shown repeatedly, that ultimately the law of survival would dictate some form of "benevolent neutrality" between it and the Northern Pacific. The scheme for trans-Pacific development, as part of a commercial expansion greater than had been seen since Venice was in her prime, required the addition of the Burlington. The jealousy of rivals and their plan to meet this new condition broke into a flame that swept through Wall Street and threatened commercial and financial solvency in many capitals of the world. It was desirable to change the truce that followed into a lasting peace. Was it not possible to build a strong fortress where, in peace or war, those who had seen the work of their hands grow great might establish it against all assaults and for all time to come? The question was as natural as the proposal to substitute a steel bridge for a ferry that any freshet might sweep away.

These events were not needed to suggest the thought to the mind of Mr. Hill. He may have had his peer in some of the great financial strategists and some of the organizers of railroad consolidation of his day. But he had no equal as a prophet of the future. From the watchtower where his mind sat always gazing into space that to other eyes was only thick darkness, it had seen the possibility of new battlefields and other risks to come, since men die and the world changes; had fash-

ioned tentatively a defence against time for the interests that were bone of his bone and flesh of his flesh in life's achievement. Five or six years before, his thought began to prepare for this moment. His task was verging toward completion. His life was passing to a stage where he did not wish always to carry the spear and wear the buckler. Like every man who has wrought a great work with diverse elements, and inspired scattered units with a single mind and purpose, he wished to make its future secure. He meant to consolidate his forces and his fortifications. After the impulse to create, comes surely the impulse to maintain and to protect. It had been working powerfully upon Mr. Hill. But now he might not act alone. His genius for organization must be applied not merely to the problems of a single system, under his complete command, but to groups of systems, and to men whose aims might be other than his own.

Turning back to the "argument" of the play, Mr. Hill's statement at the close of Chapter Twenty-five, the reasons which first suggested to him a holding company for the main interests with which he was identified will be found plainly and emphatically set out. Those that he gave to the public were those that he had given to his friends in private for years. Some time between 1893 and 1895 it became manifest to him that such a concern would be the logical complement of changes in the corporate world in which he had been

active or influential. Exactly when the plan first took the shape of a future certainty it is not now possible to say. Time was aging the small group of men who were the core of that splendid following that answered to his splendid leadership. To bind together their holdings in some form of corporate unity that should defy decay and death within, and danger without, was his final thought. Over it he still pondered when the events of 1901 forced his hand and safety called for action. The seed had dropped into his mind early and was germinating there. The forcing heat of this eventful year gave to the plant a growth and fruitage quite different from his first intent.

Confidence in the security of any railroad had received a rude shock. The men whose property had so narrowly escaped what they regarded as destruction were not minded ever again to run a similar risk. They did not wish themselves or their successors to have to make another fight like that of the struggle for control of Northern Pacific. Both sides had had a warning. Each would always have to stand on guard. But who could answer for the future, when large holdings should be broken up by the changes incident to human life? Some of these men were more than eighty years old. All of them wanted "peace in their time." Mr. Hill had talked of his idea of a holding company to Mr. Morgan and Mr. Kennedy. Mr. Morgan said later that it was a thing of Mr. Hill's planning. Mr. Hill said so himself.

His original thought had been to erect such a concern for his own system and its subsidiaries. The consolidation of these which took place in 1907 was almost in sight. Long before the Northern Securities was formed, this less inclusive proposition had occupied a good deal of his thought. Now circumstances hastened the maturity of the project and compelled an enlargement of its scope. It appeared to all those interested in recent controversies that the only permanent safeguard of the independent existence of these great properties and of a successful, because harmonious, conduct of their business was a sort of tribunal of ownership, where all would have representation and power; where their differences might be arbitrated and their common welfare assured.

The kind of thing contemplated had been done often, to all intents and purposes, indirectly. Many railroad corporations held the stocks of other railroads as part of their assets. But in these cases the purpose was not avowed, and the holding corporation called itself something else. Industrial combinations had grown great as aggregations of smaller units, or had divided themselves, amœba-like, in order that their subsidiaries might be free to accomplish what they themselves could not or dared not undertake. The devil had been whipped around the stump so merrily both before and after the Sherman Anti-Trust Act of 1890, that it was almost refreshing to see somebody propose to act in the

open and move in a straight line. Nevertheless, so to depart from precedent would draw down upon the bold operation all the anathemas that had been stored up against these others who were believed to be skillful evaders of the law. The Northern Securities attracted to itself all the thunderbolts with which the sky of a time stormy for large corporations, and especially for the railroads of the country, was surcharged.

Mr. Morgan said that this form of holding company presented itself to him as practical and desirable only after the ninth of May, 1901. "My idea was, I can't live forever, and J. P. Morgan & Company may be dissolved." This fell into step with the anxiety that had been pressing upon Mr. Hill for some years about the future of the Great Northern. So all these more or less nebulous ideas drew together and coalesced in one solid purpose. A future possibility became a present necessity. With these men, to perceive that something ought to be done was to go ahead and do it. The definite plan, as announced to the stockholders, was matured about the first of November, 1901. Before that, of course, the exact form that it should take had been the subject of exhaustive investigation and minute legal scrutiny of advantages and dangers. It was intended as a purely defensive measure. Was it the carrying out of some compromise agreed upon in May? In answer to the direct question what connection there was between the formation of the Northern Securities and the

agreement to have Mr. Morgan name the new Northern Pacific board, Mr. Hill said: "There was absolutely no connection whatever. The time at which it was agreed by the banks to allow Mr. Morgan to nominate the directors was in May. The Northern Securities Company was actually formed in November. It had been discussed without any reference to Mr. Harriman's holding, or anybody else's holding for several years, and they had no more to do with each other than you have to do with either of them."

These are the authentic outlines of Northern Securities' genealogical history. Its life story has been open, from beginning to end, to the most pitiless light that an uninterrupted series of legal prosecutions could throw upon it. The student of this unique effort in corporation-building has the advantage, not only of the court testimony of all those who played important parts, but also of a careful and authoritative digest of the whole. In a bulletin of its Economical and Political Science Series, the University of Wisconsin published, in 1906, "A History of the Northern Securities Case." It is the work of Dr. B. H. Meyer, then a professor of political economy in the institution and a member of the State Railroad Commission, later one of the Federal Interstate Commerce Commissioners. Dr. Meyer's monograph is clear in its analysis and complete and reliable in its inquiry into facts. It has been consulted freely in compiling the statements of law and of fact

that follow. The inferences and conclusions reached in this chapter rest upon the voluminous evidence in the case, and the corroborative testimony of confidential letters whose sincerity is not open to question.

When it was determined, soon after the agreement of May 31, 1901, that settled the controversy over Northern Pacific, to form such a company, some of the ablest lawyers in the country were employed on the preliminaries. From the beginning, the main features of it were agreed upon without serious difference of opinion. The plan, Mr. Hill said, was practically determined by Mr. Kennedy, Mr. George Baker, Mr. James, Mr. Thorne, Mr. Clough, Mr. Perkins, and himself. Mr. Hill gave in his own words the explanation of the general lines followed: "We were particularly anxious to put a majority of that stock where it could not be raided again as it had been. We wanted to put it in a corporation that was not a railroad company—a company that would hold it as an investment, and the larger the company the more difficult it would be to secure a majority of it. Then, again, a reason why we preferred an investment company: railroad charters, I think I may say almost entirely, are drawn or granted on terms that do not permit railroad companies to buy the shares or own the shares of investment companies. Railway companies, under certain conditions, can buy the shares of other railways, as a means of consolidation, or they might buy the shares of a road that they would

otherwise build. We were advised that we would be safer with the shares held by an investment company, the stock of which could only be held by individuals or by corporations that were not railway companies, and to that extent we would be more free from such raids by interests that were anxious to destroy or restrict the growth of this country—such raids as had been made by the Union Pacific interests, so-called."

For the sake of clearness, let it be repeated that the original idea of making a holding company had no reference to the Northern Pacific at all. It was entertained by Mr. Hill before the reorganization of that system. Now, the whole position and all the elements of the problem were changed. In view of the relations established with the Northern Pacific and their joint interest in the Burlington, such a holding concern for the Great Northern alone would have been absurd. All the closely allied interests must join. They desired to. In the consultations held, Mr. Perkins represented the Morgan interests. Mr. Morgan not only cleared the air of gossip about internal machinations, but paid to Mr. Hill the highest tribute he could give. "I would have given him all my Great Northern stock. He could have done what he liked with that, because I had confidence in him and he has confidence in me. It is not a coterie or anything of that kind." Compare Mr. Hill's public statement with his private correspondence, a test convincing for

historic accuracy. Here is an extract from a letter written in May, 1901. It is a document preparatory not to aggression, but to defence: "The cost of administering the affairs of the holding company would be practically nil, as it would only draw dividends on the shares held by it and divide the money so received by check to its own shareholders. You will see how strong the holding company would be. It would control the Great Northern and Northern Pacific, and those two roads would control by ownership the Chicago, Burlington & Quincy. The holding company could also, if at any time it seemed best, hold the shares of coal or other companies which, while of value in themselves and of value to the railway company for the traffic they would afford, the charters of the railway companies are not broad enough to enable them to hold with safety. I think the completion of the plan of which the above is a fair outline would greatly enhance and insure the value of every share we hold in the railway companies. For myself I feel that the future would be secure, and we would have a certainty in the situation and the control of these properties safe. Unless we do something of this kind, we will always be subject to attacks like the recent one to secure control of one or other of our properties."

The charter was taken out in New Jersey, whose laws were supposed to be especially friendly to this kind of undertaking. It differed from that of most other large

corporations formed in this epoch particularly in the fact that its powers were severely limited. The custom was to provide against every contingency by authorizing each of the new corporations now being spawned so rapidly to conduct practically any business in which it might conceivably wish to engage. The charter of the Northern Securities confined its activity "to the acquisition of valuable paper held by domestic and foreign corporations, exercising the rights of property over the same, aiding corporations whose paper is thus held, and acquiring and holding the necessary real and personal property." Its authorized capital stock was $400,000,000. At first a much smaller capitalization was contemplated. But neither Mr. Hill nor Mr. Morgan was willing that any one should ever be able to accuse him of sharing in a profitable venture from which others were excluded. Mr. Hill had a lifelong reputation for working for his stockholders all the time. If there were any conflict of interests, his rather than theirs must suffer. But if only those were admitted whose age and long connection with the company had inspired the project, and if it were a financial success, people would not be lacking to stigmatize it as the plan of a chosen few on the inside to make money for themselves. He said: "I had the feeling that we would give each shareholder the opportunity to come in at the price we put our own in, if he desired. If he preferred to stay out, that was his privilege." Mr. Morgan

took the same position. Adherence to that principle necessitated a capital stock at least as large as that of the Great Northern and the Northern Pacific combined. The authorized share capital of the two was at this time $280,000,000. Of course, an exchange at above par would raise this limit. Other interests also would want to be admitted from time to time. About 76 per cent. of Great Northern stock was exchanged for the new security at the rate of $180 for each $100 turned in. Mr. Hill had suggested this basis, which was approved by all. About 96 per cent. of Northern Pacific came in on the basis of $115 for $100. The Union Pacific people were admitted also, for a lasting harmony was desired, and surrendered to the Northern Securities the holdings of Northern Pacific which they had acquired in the fight for possession, receiving in exchange about $82,500,000 of its stock. The first Board of Directors consisted of fifteen men. Six represented Northern Pacific interests, four Great Northern, three Union Pacific, and two were what might be called "at large." The presidency was unanimously conferred upon Mr. Hill.

The original project to unite the Great Northern with the Northern Pacific by a more intimate tie had roused bitter public opposition and been defeated in the courts. It was determined to carry this new scheme, which was represented as a repetition of attempted railroad amalgamation in a larger and more daring way, before

the same Cæsar. In part the heated protest was sincere. The public had in the past suffered grievances at the hands of some of the carriers of the country. It was angry and suspicious. Political parties had found in railroad regulation an issue as unfailing as the tariff, and in denunciation of railroads a charm that seldom failed to rouse the passions on which their own success might depend. A public educated for a generation by this kind of argument was not in a mood to examine facts impartially or to draw judicial conclusions. On the other hand, the form taken by the attack disclosed clear traces of a political motive. January 7, 1902, the State of Minnesota attacked the company in the Supreme Court of the United States. Denied permission to file a bill of complaint, it brought suit in the state court. In the meantime, the Federal Interstate Commerce Commission had, at a meeting on December 20, 1901, adopted a resolution calling for an investigation by it into "consolidations and combinations of carriers," including "the community of interest" plan; and, February 19, 1902, the Attorney-General of the United States announced that, complying with a previous request of President Roosevelt, he had given his opinion that the "merger," as the Northern Securities was called, violated the provisions of the Sherman Act of 1890. Thereupon, March 10, suit was brought in the United States Circuit Court at St. Paul against the Northern Securi-

ties, Great Northern, and Northern Pacific. Happily it does not come within the field of this work to tread all the dreary mazes of the legal labyrinth into which these proceedings led the way. A sketch will suffice.

First, however, let the whole transaction, with its legal aspect to those who had studied it and felt sure of their ground and their right, be set down in Mr. Hill's own words. The following is from a personal letter to Mr. James, written in March, 1902, less than three weeks after suit was begun: "We are fully prepared for anything we have to meet, and in this case the question is simply, was there a conspiracy between the shareholders of the Northern Pacific and the Great Northern shareholders to form the Securities Company for the purpose of restraining or restricting interstate commerce? You and our other Great Northern friends know that the Securities Company was not a conspiracy, and that it has been under consideration for years. When it was formed, or rather decided that it would be formed, there was no meeting or conspiracy. The question had been under consideration for a long time, and it only embraced the holdings of fifteen men out of eighteen hundred. It was first considered as a close corporation, with not more than fifteen shareholders, owning about one fourth of the shares of the Great Northern and about one fifth of the Northern Pacific. In order that it might not be said that a few of the larger shareholders who had practically managed the company had

undertaken to form a corporation in the company's business in which every other shareholder might not participate, it was decided to allow all Great Northern shareholders the privilege of doing with their respective holdings what those who formed the company had done. The company was formed by the holders of one fourth of the shares, and the option was left to all others to decide for themselves individually whether they would join in the new company or not. When the company was formed it controlled but one fourth; and the individual action of each shareholder, deciding for himself, without any conference or advice, to sell his shares to the Security Company is very far from a conspiracy to restrain trade. All of our counsel feel that our case will be easily won, and that in the end we will have the advantage of having our charter rights confirmed by the Supreme Court. In fact, our action will show that we prevented the Union Pacific interests from holding the Northern Pacific, and through it and the joint control of the Burlington restraining and practically destroying the trade of the Northwest and of the whole country, as it concerns the Oriental trade. We have taken this year about three fourths of the entire Asiatic cotton exports via Puget Sound. Our business on all these railways is very large. It really seems hard, when we look back on what we have done, and know that we have led all Western companies in opening the country and carrying at the lowest rates, that we should be

compelled to fight for our lives against the political adventurers who have never done anything but pose and draw a salary."

These two cases resulted in two different decisions by circuit courts, before the Supreme Court of the United States was reached. The first, which was rendered by a tribunal made up of four circuit judges, found that "the Securities Company accomplishes the object which Congress has declared illegal perhaps more effectually than other forms of combination generally known in 1890 when the Anti-Trust Law was passed." It said that, although the motives which inspired the combination might have been "wholly laudable and unselfish," although it was "the initial and the necessary step in the accomplishment of great designs," the only question before the court was whether or not it constituted a combination having power to "suppress competition between two or more competing and parallel lines of railroad engaged in interstate commerce." This question the judges answered in the affirmative. The Northern Securities was enjoined from voting stock, acquiring additional stock, paying dividends or exercising corporate control. The return of stock held by it to persons holding Northern Securities shares in exchange for shares deposited was permitted. In the state case, the United States Circuit Court found that the formation of the Northern Securities did not involve any act or contract in restraint of trade. The real

distinction between the two was that, while the one court decided that the purchase of a majority of shares in the two companies by a single interest was illegal, the other held that the mere possession of power does not warrant an assumption that such power will be used criminally. This distinction represents the vital point in the case, and presents the issue on which its determination would finally rest.

Both these cases now went up to the Supreme Court, where the opposing parties were represented by some of the ablest lawyers in the United States. It would be tedious to follow in detail the conduct of the case whose importance here is in its relation to the life and work of Mr. Hill. The opinion of the trial court of four justices was sustained by a decision given March 14, 1904, by the casting vote of a single justice. Four members of the highest court were of the opinion that the formation of the Northern Securities Company had not transgressed the limits of the law. Four others declared that it had. The ninth judge tipped the scale against it. It was ordered to dissolve. Besides the decision of the majority, there were one concurring and two dissenting opinions put on file by individual judges, to express shades of difference between their views and those of their associates. Seldom has a great case been involved in more legal subtleties, or determined with more doubt by our great tribunal. The dissenting opinion of the four minority judges denied that the Anti-Trust Act applied to the

particular case in question. It showed that such consolidations had been made prior to the passage of the Anti-Trust Law, and held that the power to deal with them lay with the states. It concurred with the position taken by Judge Lochren in the state case, that the power to commit a wrong does not imply that the wrong will be committed; and that until some law has been violated, such power may not be prohibited. In the state case, the Supreme Court held that it had no jurisdiction and remanded the case to the state court.

Two years and a third had passed between the organization of the company and the final decision. During this time the former had, of course, kept on its way, in the firm presumption of legality. This was a time of continual anxiety for Mr. Hill. From the day when he first conceived the plan of a holding company to that on which he took steps for its dissolution, he never wavered in his fixed belief that it was organized well within the sanction of the law. That he had warrant for this faith is seen both in the unpunished existence of similar combinations in the East and in the fact that four Supreme Court Justices out of nine agreed with him. He studied the question from every angle, he pored over every bit of evidence, he searched for more, he brought every legal principle and every fact involved under the scrutiny of his powerful and analytic mind. Lacking special professional training, he was nevertheless one of the busiest and most helpful members of

the Northern Securities' legal staff. Had he believed at the bottom of his heart that this project was actually illegal, even technically, he would never have approved it. He was not one of those who seek their ends by deliberately overriding the law. For that he had supreme respect wherever it was definitely stated and applied. "We must all bow to the law of the land" was his unvarying comment on any dictum that ran counter to his plans. Through all this time he was as sure that the Northern Securities was within the law's protection as he was that he had a right to build a station or put in a water tank somewhere on the railroad right of way.

Until the court's decision was made public, he entertained no doubt that it would be favourable. It was a bitter surprise and disillusionment. That it was adverse struck him no more severely as a checkmate to one of his plans than as a denial of what were to his mind unchangeable principles. He never believed, at this time or later, that the Sherman Anti-Trust Act was intended to apply to railroad corporations. He never accepted the rule that the power to act unjustly is equivalent to the commission of an unjust act. A great many people agreed with him. Bar and bench were divided. Years have passed since then, and public opinion has experienced some enlightenment and some change. It is at least a doubtful question whether, if the same issue were presented to-day in the same way, a majority of the Supreme Court would reach the same

conclusion. It is an open question whether, on a popular vote, a majority of the people of the Northwest would declare against the Northern Securities now. The practical accomplishment by other means of what it set out to do, without injustice to the people or escape from the strict control of law, has proved that much of what was then hated and feared was only a nightmare terror.

This decision, of course, created an immense stir and much excitement in the stock market. It required a readjustment from which came more litigation. Eight days after it was rendered, Mr. Hill sent out a circular announcing the approaching dissolution of the Northern Securities Company and the distribution of its assets. This circular noted that, since the formation of the company, the railways included had extended and improved their facilities, while the rates paid by the public had been materially reduced. It once more declared that the buying of Northern Pacific and Great Northern shares was done "in the full belief that such purchases were in no wise obnoxious to any law of the United States." Since, however, the court thought otherwise, the company would proceed to comply fully and promptly with its decree. Therefore, 99 per cent. of its capital stock outstanding was called in and cancelled.

Immediately a question arose precipitating a legal struggle on lines similar to the fight for stock control of the Northern Pacific which followed the Burlington purchase. What should the holders of Northern

Securities shares receive in exchange for them? Would they get back exactly the same number of shares in the same corporations that they originally deposited, or only their portion of a ratable distribution of all the assets? Mr. Hill and his friends proposed the latter. For each share of Northern Securities surrendered, there was to be delivered to the holder $39.27 stock of the Northern Pacific and $80.17 of the Great Northern. To ratify this plan a special stockholders' meeting was held April 21, 1904. At this meeting about 75 per cent. of the stock was voted for the plan. The Harriman interests had already protested against the proposed scheme of distribution. They had from the beginning held more than $82,000,000 of the stock. This they had received in exchange for the Northern Pacific shares turned in by them in 1901. As they had attempted, in May of that year, to control the Northern Pacific by purchase, so they now attempted to reach the same end by overthrowing the plan of pro rata distribution, and compelling the return to them, share for share, of the stock of that company which they had originally put in. Let Mr. Hill disclose his absolute confidence in the strength of his position, even as affairs now stood, through an extract from his ample and intensely earnest correspondence of this time. Its insight into opposition strategy, its bold confidence, its phrasing, are all inimitable. Time has proved its concluding sentence to be not a wrathful defiance, but a prophecy

of the reasoned and the foreseen. "During the time when railway combinations were being made throughout the country, we got together the strongest and most promising in the country, and they found themselves in the same place as was the Chicago & Alton, Rock Island, Michigan Central, and other so-called conservative companies, who lost their chances to their more enterprising neighbours and were compelled to sell out. The St. Paul and Northwestern were both customers for the purchase of the Saint Paul & Pacific from the Dutchmen, but they lacked movement. These two lines with the Burlington were all right for a time, or until the transcontinental lines began to dominate the situation, and when we bought the Burlington they were like 'Ginx's Baby,' nobody's child. And they will remain so until they build a line to the coast, which I hope they will do, and also that they build it to Puget Sound. The addition of the business of two such lines to Puget Sound would greatly help that seaport and would enlarge the whole business, and in the end would do us much more good than harm."

April 2, 1904, the Harriman interests had taken legal measures to enjoin the carrying out of the plan announced. Again let Mr. Hill tell some of the preliminaries, in a letter to a trusted friend, where he can give full vent to his honest indignation: "Before closing let me again refer to their statement that they only wanted protection for the Union Pacific. Mr. Harri-

man was the first director of the Northern Securities Company to whom I went after the decision of the Supreme Court to consult as to how we should dissolve the company, and he immediately said the only thing we could do was a pro rata distribution. This he repeated on several occasions for four or five days, and at the end of that time came to my rooms to tell me that he was afraid he could not carry it out, and the next day he wrote me a personal letter to the same effect, after he had assured me that we would have their full cooperation; and, in the meantime, having had his own counsel present with the Northern Securities counsel in consultation as to the legal steps to be taken, and his counsel agreed fully and said that it was the only legal and moral course that could be pursued under the circumstances. Within ten days from that time they brought the present suit, giving as the reason: 'We knew, of course, that Mr. Hill wanted the control of the Northern Pacific, and it would be a great property in his hands, but we wanted to get control of it if we could and we are going to make the effort, because to make the effort would only cost us the lawsuit.' In which case the Great Northern would be hemmed in along the northern boundary without any outlet anywhere except on terms to be made for it, and our property would follow the course of the Alton and other roads like it which were lacking in foresight to protect themselves against what might occur in future."

The Circuit Court unanimously denied the application to intervene. Then came more litigation, whose purpose was the same and whose devious course and voluminous record need not be considered here. An injunction against the distribution plan adopted was granted, and through the usual tortuous legal channels this secondary and final question about the partition of the estate of the Northern Securities reached the Supreme Court. This interminable carnival of lawsuits was an almost intolerable burden to a man who had tried to do what he believed right and for the best interests of all. Sincerity rings out in this extract from a letter written to a friend in the summer of 1904: "The present lawsuit is brought, as the parties admit here, not because of any wrong done them, but because they think they have everything to gain and nothing to lose, 'as Mr. Hill will protect their stock as well as that of everybody else, as long as he is in charge.' This, however, is cold comfort. If they desire to continue holding their stock we can have no objection and will treat theirs as well as we do our own, but we cannot allow them to impair or destroy our property. You have but little idea of the difficulties I have had to deal with and get along with during the last two years. You know that I never would be connected with a property that was run for the benefit of those in the saddle and not for that of the shareholders."

The whole controversy was summed up by Mr. Hill

in a letter to a high public official, late in 1904. It has that quality of condensed and luminous statement which the reader will have learned by this time to expect: "The affirmance by the Supreme Court of the decree of the lower court restraining the Northern Securities Company from voting and receiving dividends on the railway stocks of the Great Northern and Northern Pacific Railway companies rendered the stocks unproductive and made it necessary that the Securities Company in the interest of its stockholders should reduce its capital stock and distribute the surplus as corporate assets. Proceedings were taken in conformity with the laws of New Jersey which resulted in the adoption of a resolution for the reduction of the capital stock and distribution of surplus corporate assets with the approval of the stockholders of the Securities Company. The Securities Company proceeded upon the ground that each share of its stock had an equal value and that it had acquired title to the railway stocks and had a right to distribute them as corporate assets.

"The Oregon Short Line Company, a part of the Union Pacific system, was the beneficial owner of the Northern Securities stock which stood in the name of Harriman and Pierce. Harriman and Pierce contend that the decree in the government suit adjudged that the Northern Securities Company has repudiated the contract and abandoned the trust, that the law, therefore, implies a promise on the part of the Securities

Company to return the railway company stocks it holds to those from whom it received them or their assigns.

"You will note that Harriman and Pierce contend that the Northern Securities Company has no stockholders as such, that its certificates of stock are mere evidence of a right which the present holders have in the identical property on account of which its stock was issued, and that the present holders can trace their interest to identical stocks now held by the Securities Company."

All the courts, Circuit, Circuit Court of Appeals, and Supreme Court, held for Mr. Hill. The decision of the last mentioned, unanimously rendered March 6, 1905, in which the plan of the Northern Securities Company for distributing the stock held by it was sustained in every important particular, put a quietus on the trouble makers. It was now free to execute its plan for dissolution, and did so. That Mr. Hill, after the pressure of these years of contest in the courts, neither felt an enduring animosity nor permitted rancour to distort his views or change his attitude toward others is shown in a striking way by a personal letter written two months after the court had spoken its last word. Coming from a man of stern temper and thwarted purpose, who had all along believed and still believed himself right in principle, and who had been opposed at every turn, it is a really notable utterance: "I have told all the Union Pacific people that we should let the past be cast aside,

and take every proposition between the two or three systems without any prejudice and consider all interests fairly and honestly, and have peace by each company, regarding at all times the rights of all the others. Where there is a disposition to agree on fair terms there should be no difficulty in securing harmony; and this can only be done where there is no right or disposition to encroach upon or invade each other."

The dissolution of the Northern Securities marked one of Mr. Hill's few great disappointments. It cannot properly be said to mark a failure. The plan as it was outlined in his mind, away back in 1893 to 1895, was a limited holding company for Great Northern stockholders only. Time and circumstance, rather than individual judgment or desire, had compelled its expansion to the form taken by the Northern Securities. The forces which struck at this, both state and federal, were inspired, in part at least, by a political motive. The decision pictures the court in doubt. The vote of five to four was almost equivalent to "not proven." The after event amounted to a vindication. For, just as the reorganization of the Northern Pacific, planned in 1895 and prohibited by the court, was accomplished in another fashion, to the same end but in conformity with the law, so the main business and economic purposes of the Northern Securities have since been realized. About the only thing actually accomplished by the court's decision was to prevent eight or ten old men from

placing their investments where these would be secure after their death. "If this is failure," Mr. Hill might have said, "make the most of it."

The finale upon which the curtain falls in the last act of the trilogy is, like most of life, neither pure comedy nor pure tragedy. Legally, perhaps, the course of events had been a good deal like John Gilpin's ride. But of both events and actors it is far from true that "where they had got up, they did again get down." Contrast January, 1901, with April, 1905. Complete confidence, assuring intelligent co-operation between the Great Northern and the Northern Pacific, had been assured for the future by the same sort of bond that unites the veterans of a war in which they fought side by side. The control of the Burlington was vested in them jointly beyond the power of any foe to disturb. Exactly as the rule of law which forbade, ten years before, the ownership and guarantee of Northern Pacific securities by the Great Northern corporation, had drawn into a more sympathetic understanding the parties interested, and assured their harmonious action, so the disappearance of the Northern Securities as a holding company delimited interests on the one side and cemented them on the other. Little use hereafter of an attack upon these last, or of seductive offers and suggestions. They had passed through an ordeal where they had learned the need of confidence and had seen it supremely justified. Their new knowledge of the

ground and the issues was as superior to the old as is the soldier's acquaintance with the battles and sieges he has passed to an account of them in a newspaper. Mr. Hill said that during this time he rejected a proposition to become the head of a holding company including substantially all the railroad interests west of the Mississippi. The unity of purpose and the indissolubility of allied individual interests which the Northern Securities was framed to effect and represent were forged into one bar by the blows, welded into one homogeneous mass by the fierce currents of these electric years. The man who says or thinks that the Northern Securities Company was a fiasco, that its brief life accomplished nothing, reads facts only with the raised letters of the blind. A stray meteor in the stormy skies of its time, it had part in the moulding and rearranged the orbit of constantly changing worlds.

By the time the audience that witnessed the trilogy had dispersed, one of the motives that had inspired and directed its performance had grown weak and pale. The flaming vision of an Oriental trade, and of a revolution in world commerce hitherto undreamed of, at its brightest in 1901 and 1902, had faded by 1905 to a gentle glow. The light of Asia died down, under new regulations and orders of the federal power, into the pale promise of a day whose dawning was not yet to be. But the agencies prepared to serve a mighty concept were not left, like the ma-

chinery abandoned along the old Panama Canal, and monuments of an enterprise born out of due season. They served their purpose and their time. They were the tools by which Mr. Hill continued to build, and to fashion the work of his life into the completed whole that he left behind him. The Northwest of to-day, the railroad system of this country, would be something other than they are, less complete and less fitted for new times and new men, but for the events narrated here and the new understanding and outlook through which they entered into their inheritance.

On Mr. Hill the influence of these years was profound. They did not embitter him. From them sprouted no bud of vengeance to come. His philosophy, indeed, was one that looked before and after. But, emphatically, it did not sigh for what is not. He continually created and reconstructed. The letters contained in this chapter paint the intellectual man and the moral man in him. They have little need of commentary. At the beginning, in the thick of the *mêlée*, after the smoke had cleared away, he maintained his mental attitude; he kept the poise of his thought. The element of personal fidelity, his to others, others' to him, was the most precious jewel that shone among the ashes of this crucible. Always it had been to him a token of the best. Now it was the crown of life. Fair dealing, loyalty to any pledged word, had been articles of his faith. He found them worthy to become the cult of

the business world. His purposes were carried out by agencies different only in form from those he had imagined. From this moment the country, the world, knew him better. That comprehension was, perhaps, the best gift of these disturbed times. After the whirlwind of accusation and the cleansing thunderbolts launched in quick succession, his form stood outlined against the sky with more distinctness and more nobility than ever before. In the years that followed from this time to his death, the projects of Mr. Hill were considered by the people, his words were listened to, his cautions and his recommendations were heard everywhere with constantly growing respect, esteem, confidence, and something that it is not too partial to name affection.

## CHAPTER THIRTY

### SOME INTERLUDES

IN HIS talks to farmers and his numerous articles on the improvement of agriculture, Mr. Hill repeatedly emphasized the diversification of crops. He applied the principle rigorously to his own life. No single-crop idea for him. Such a contest as that over the Northern Securities, which lasted from the first days of 1902 until the adoption of the plan of stock distribution April 21, 1905, following the final decision by the Supreme Court, was surely enough to occupy to the fullest extent the energies of the man in command. He gave to it, as has been seen, tireless study and a dauntless enthusiasm which could not have been exceeded, which could not have been equalled, had the matters in jeopardy been wholly personal. What room was there in these years, so crowded with the strategy of desperate campaigns of life or death, for any lesser interest or any other concentration of thought or deed? Mr. Hill found so much that the remainder of the story of this time will be almost as full of action, and in some respect as replete with vivid and startling interest, as during the development of the trilogy whose audience had now departed and whose lights were fled.

The largest and most unprecedented act whose fulfilment runs through these years, beginning indeed as far back as 1899, must be reserved for separate treatment. This was the disposition of his interest in rich ore lands acquired in northern Minnesota. In the light that it throws upon the character of Mr. Hill, upon his conception of his duty to the stockholders of his system, and upon his proud refusal ever to permit personal interest to prevail over his idea of perfect integrity, it is as striking and as characteristic as any event related or yet to be set down in these pages. But it did not stand alone. While the future relations of the Great Northern to its associate systems, to the Northwest and to the commerce of this country at home and abroad, were being determined in the courts, defended by its president, who was also the president of the Northern Securities, the company itself was not permitted to stand still. The same work of expansion that had been going on for more than twenty years must proceed without interruption or slackening of pace. New country to be opened and settled, new lines to be built and old ones extended for that purpose, new instruments to be provided for new ends, and the financing of the whole with that conservative forethought which Mr. Hill always brought to the performance of this part of his task—all laid urgent hands upon him. Trains could not cease to run, not a wheel of the complicated mechanism of

which he was builder, master mechanic, and engineer could skip one revolution while the big creation called the Northern Securities, in which interest seemed relatively so distant and so vague, was on trial for its life.

It will be remembered that preparations for invasion of the Orient went briskly forward. The two huge ships for Pacific trade, the *Minnesota* and the *Dakota*, were built. The intricate network of traffic arrangements designed to fill their mighty holds was perfected. The danger of being held up between Chicago and New York by the eastern trunk lines for a disproportionate part of the through rate had disappeared. Mr. Hill had shown, when he put his ships upon the Great Lakes and when he built, in 1897, the circular steel tank elevator of his own design at Buffalo, with a capacity of 3,000,000 bushels, and broke the elevator pool there, that he was not to be trifled with. Nobody was going hereafter to invite recklessly a blow from that puissant hand. Armed as he now was with power over so great a traffic west of the Mississippi and to the Pacific coast, he had more to concede than to demand. He could act henceforth as the dispenser of benefits, toward whom none of the lines that ran to the Atlantic seaboard would dare to take an attitude either arbitrary or unjust. So the six ships of the Northern Steamship Company and the elevator property at Buffalo were sold to and taken over by the eastern trunk lines. His friendly interest in the affairs of the Erie and the Bal-

timore & Ohio completed the strengthening of his defences.

The stir of ordinary human life, intent upon its sustenance and its increase, was continually changing the fields of the Northwest from vacant land to fertile farm and happy home. An encouraging breath fed and brightened its steady flame. Immigration was sought everywhere; especially among progressive farmers, looking for a chance to better themselves in a new country. Cheap and rich land attracted population. The machinery to promote immigration was extended and improved. The report of the year 1902 said: "The large movement in the Northwest during the last few years, which still continues without abatement, has resulted in the settlement of a vast area of vacant lands adjacent to the Company's line. During this period more than 5,000,000 acres of Government land in the northern part of the country have been taken under the Homestead Act. It has also been satisfactory to note that many of the large farms in the state are being cut up into smaller ones." Up to this time what was called "bonanza farming" had caused curious and often gloomy inquiry among students of agricultural economics. Thousands of acres of farm land in single tracts were taken up or purchased by men with capital, who made use of the latest machinery, were able to buy, sell, and ship on the wholesale system, and realized large profits. It was feared in many quarters that this

competition might crowd the small farmer to the wall. Economic alarmists predicted the speedy concentration of all small farms in the country into a relatively small number of large holdings whose owners, veritable "patroons of the manor," would lord it over the multitude of hard-pressed farmers, reduced by the system to the status of tenants, and sinking gradually almost to the level of serfs. There were some of these "bonanza farms" in the Northwest. The report of the railway company just quoted declared that their subdivision into small farms, then actually taking place, was "satisfactory."

The head of a railway might have been expected to believe it most profitable to deal in agriculture as elsewhere, with a few large concerns rather than with many smaller ones. Mr. Hill did not think so. He saw always the prosperity of the transportation interest and the prosperity and safety of the country itself resting upon the independent successful industry of the individual farmer as its cornerstone. This conviction shaped his policies. Nowhere in the country, during these years, was the settlement of new land carried forward with more vigour and intelligence than in the territory subject to his care. The general public looked upon it now with better knowledge and a new interest. In 1889 and 1890 a tier of new states in which the Great Northern operated, from North Dakota to Washington, had come into the

Union. The mental attitude of people toward a territory was curiously different from that toward a state. Industrially speaking, the two had, of course, if identical in other respects, equal advantages to offer. But settlement and capital looked with less favour on the sections sometimes weakly, often unwisely, always selfishly governed from Washington, than on those where local self-government guarded the local interest with a watchful eye. Again, these communities that had been widely advertised by statehood recently conferred attracted and held people by merits of their own. The immigration into the Western and Pacific states during 1901 and 1902 was greater than that of any previous year. It was the fruit of a policy consistently pursued from the first day when Mr. Hill exercised real power over the old St. Paul & Pacific. Naturally the business of the company felt the new stimulus. The gross earnings of the Great Northern for 1902 were $86,000,000, as compared with a little more than $28,000,000 the year before. The operating expenses increased less than $2,000,000. This was a proof, at the same time, of growing volume and density of traffic and of the continued application of that rule of Mr. Hill's which required the increase in expenses to be always a little less than the increase in earnings, or the decrease in expenses to be a little more. Nobody ever made a more thorough-going application to the financial side of railroading of the motto, "Safety first."

Financing, also, as related to capitalization must now proceed on a larger scale. It is amazing to what a narrow basis it had been held down. Cities explain the gross inflation of their bonded debts by pointing to increase in population. Such a rule would have swollen the capitalization of the Great Northern beyond recognition. In the report of 1904 it is stated that "no additional permanent capital has been obtained by the Company since the issuance of $25,000,000 capital stock under authority of resolutions adopted by the Board of Directors February 27, 1901." In the meantime, all sorts of expenses had to be met out of current revenue. "The total amount paid out substantially within three years for securities, additional mileage and equipment, and additions to the property of proprietary companies was $48,499,894, or $23,499,894 in excess of the proceeds of the last stock issue. In addition to that, in the same three years the improvements made to leased Manitoba property have cost $5,114,130." So, in October, 1905, the capital stock was increased to $150,000,000. The money thus obtained was used to liquidate indebtedness already incurred, and to pay for or acquire stocks and bonds of subsidiary companies. The Great Northern was now financially among the big concerns of the country. Its capitalization per mile, and its ratio to the total value of the property, remained, as it always did, surprisingly low. Here was a margin of value which might have been, and in so many instances elsewhere

was, converted into stock by those in control, and assigned to themselves and their associates in one way or another. Mr. Hill was proud of the low capitalization as measured by either actual cost or present value. To his mind it was, like low cost of operation, a title to distinction. Very rarely, in the history of a new country, has financing on so large a scale as that which he planned and conducted for more than thirty years been directed by a rule so stern. Another issue of 600,000 shares for similar purposes in 1906 increased the total capital stock to $210,000,000. In this way funds were provided for the consolidation of the system already determined upon by the purchase of all its subsidiary companies.

This carries the history of the capitalization of the road down to Mr. Hill's formal retirement from the presidency. Only the bare skeleton of it could find place in chapters so crowded by vital and fecund events as these must be. It deserves to become the subject of a connected story, apart from the other activities of his life. The exigencies of a work like the present break it into parts which, though not unrelated, have been distributed necessarily through many chapters. A life so rich, so full, so varied as that of Mr. Hill defies continuity along any one line. It expands not so much on straight lines, or even on lines branching and divergent, as by the giving off of parts which, like the fragments of a stellar system, assume, though always in harmony with the whole, a

form, a motion, and an inner energy which are all their own. The financial story of the Great Northern, separated from all the other interests interwoven with it, pays tribute in its entirety to his character. For, after the principle had been adopted, and the method adjusted to the principle, the money must be forthcoming. It was never lacking. It was never even difficult to obtain. It yielded gladly to the counsels of that supreme confidence in his integrity, as well as his ability, of which the natural and true course of this story has given so many and so convincing proofs. There remained still one concluding and triumphal act by which Mr. Hill provided, so far as human ingenuity and forethought could, for the financing of his company for many years to come. In the proper time and place the blanket bond authorization, making the Great Northern like a town that has been fortified and provisioned against all possible need within or attack from without, for half a century, will be touched upon. This was one of his great primal thoughts, and became a model to be followed by nearly all the leading railroad corporations of the time.

Not only the bitter struggle for supremacy between railroad corporations recounted in preceding chapters, but the leading tendencies and much of the discussion of the time found their nervous centre in a conflict of opinion over the legality and the desirability of industrial combination and consolidation. Mr. Hill, whose mind had always an economic trend, naturally debated

this question with himself. The general course of development in the country pointed common inquiry in the same direction. The issues raised by the lawsuits in which his own interests were involved were suggestive of the same problem in theory if not in fact. For at least ten years before 1890, industry of every form in the United States openly obeyed more and more some unseen centripetal force. That force even appeared to be world wide. Everywhere small business concerns were uniting into large ones, or throwing up their hands in surrender to combinations already formed. It was the era of what were popularly but erroneously called "trusts." Apprehension was general, vivid, and not altogether without warrant. The public saw control of many of the necessaries of life passing into the hands of large corporations. It believed that the main purpose of these was to secure excessive returns on capital through the extortionate prices that these monopolies could and would impose. Almost every day grew up before its eyes some company which issued stock enough to buy all the principal establishments scattered over different parts of the country and engaged in the same line of manufacture or trade. Upon these skilful promoters had already obtained options. Often there was little relation between the actual value of plant and product and the par value of the stock given in exchange. The first object was to secure control. After that, the union of

these separate concerns under one management enabled those at the head of it to buy cheap and sell dear. They could make their inflated capitalization pay a good return, at the cost of the consumer.

The public not only had a grievance, but it was honestly alarmed. A future half opened before it in which the many could exist only by the payment of whatever tribute the few should see fit to exact. In response to this condition and this fear, Congress passed the so-called Sherman Anti-Trust Act in 1890. A dozen years later it was to play an unexpected part in the life story of the Northern Securities. Its actual purpose was to check the process just described, by declaring such combinations illegal because "in restraint of trade." Thoughtful people had little faith in the efficacy of this law. Restraint of trade, according to common law, had always been illegal. The new statute lacked definiteness. Many years more were to pass before, in the effort to break up under it some of the consolidated interests, notably the Standard Oil Company, its feebleness was to be demonstrated and its few real teeth were to be drawn. There was, from the first, both doubt of its value and suspicion that it would not be rigorously enforced. Practically it made no change in the situation. Companies continued to combine and to swallow others. Many small concerns were bribed or forced out of existence. Ten times as many, which were unintelligently or inefficiently han-

dled, found here a welcome excuse for their misfortunes. As in nearly all times of change and of crisis, the country felt blindly that something was radically wrong, without having any clear conception of the nature of either the disease or its cure.

The phenomena were too interesting not to attract the thought of Mr. Hill. Although no present or contemplated plan of his own came, in his opinion or intention, within the purview of the statute, it touched nevertheless so closely all large undertakings and all national growth as to call for study by those feeling any responsibility for the future of their fellow men. As a railroad manager, as a practical student of economics and as a citizen, Mr. Hill thought deeply about this apparent conflict between a universal tendency of the time and the public interest. He was full of righteous wrath, both because the poor and thrifty would feel the pressure of a higher cost of living and because their savings were being coaxed into a thousand pretentious and promising corporate adventures from which they would never return. Here, as everywhere, he went straight to the heart of the matter. He set out on one side, to be accepted without question, the underlying laws of human association. It was of no more use to attempt to defeat or deflect these than the law of gravitation. On the other side, with that clarity and incisive grasp which distinguished all his thinking, he set out what could and ought to be done. In an address delivered before the Illinois

Manufacturers' Association at Chicago, in June, 1902, he condensed into a few paragraphs the essential fact of all that the country had been mulling over for many years:

"There is one plain evil connected with the creation of certain great corporations that has not been corrected, although it is easily reached. The valid objection to many concerns, especially some of those known as 'industrials,' is that they appear to have been created in the first place not so much for the purpose of manufacturing any particular commodity as for selling sheaves of printed securities which represent nothing more than the good will and prospective profits of the promoters. Nearly all the large concerns engaged in manufacture or trade that have come to grief owe their downfall to excessive capitalization. This is a real menace not only to their successful existence but to the public, which pays prices based to some extent on the desire to make profits on more than the money invested.

"If it is the will of the general Government to prevent the growth of such corporations, it has always seemed to me that a simple remedy was within its reach. Under the constitutional provision allowing Congress to regulate commerce between the states, any company desiring to transact business outside of the state in which it is incorporated should be held to a uniform provision of Federal law; namely, that all should satisfy a com-

mission that their capital stock was actually paid up in cash or in property taken at a fair valuation, just as the capital of a national bank must be certified to be paid up by the controller of the currency.

"It is only fair to a dealer in Minnesota or California or Oregon that, if a company claims to have ten, twenty, or fifty millions of capital, and wishes to do business in that state, he should know that its solvency and the honesty of its alleged capitalization have been passed upon by a Federal commission. With such a simple provision of law, the temptation to make companies for the purpose of selling prospective profits would be at an end; and, at the same time, no legitimate business would suffer. Nor could any number of individuals desirous of engaging in business as a corporation suffer any hardship by being obliged to prove that their capital was as advertised; that they were not beginning to deal with the public under false pretenses.

"I am convinced that this is the simplest, most effective and necessary regulation to be applied to modern business methods. It begins at the beginning. It not only attacks the practice by which millions of the people's money have been coaxed into bad investments, but it also bears directly upon the main evil attributed to the existence of big corporations. With it they would lose most of their incentive to any such wrongdoing as may be within their power. With it there would be little inducement to claim exorbitant profits

by raising prices, because the fact could no longer be concealed by spreading the net return over a fictitious capitalization.

"And of course it follows equally that where capital has been fully paid in, no interference should be allowed, because no injustice would be likely to be done."

This has the simplicity of a scientific statement and a mathematical demonstration. The size of a corporation is not a danger. It cuts no figure whatever. He added: "Consolidation of wealth does not mean the hoarding of money in a bag that its single possessor may delve up to his armpits in it. It means rather the effective organization of effort, the intelligent use of money which represents exerted mental or physical energy. No man grows wealthy along broad and legitimate lines without turning the resources of nature into remunerative channels of usefulness for the talents of other men. We are, as yet, only on the threshold of the new era in the business world, and no one can say positively that the present order of things is and will be for the best. That is still to be proved, and it can be proved only by time. All that we can say is that, as far as we have gone, the results are certainly favourable. Against the alleged injury that is intangible can easily be put the benefit that can be shown by figures—benefit to the workingman, benefit to the consumer, benefit to the capitalist. Wages are higher, prices are lower, investments are safer, more productive, and more certain of

return." The weak point is the unrestricted power of capitalization. The so-called "trusts" were all capitalizing the future. The securities they issued could only make good, and many of them did make good, by the growth of the country. Meantime, the whole of that growth, so far as it affected them, was absorbed by them in advance. Both before and after this growth occurred, the public must pay a tribute of interest or profits upon it, as represented by industrial stocks and bonds. Here, and in the infinite possibilities of fraud by conscienceless promoters, who had no sincere purpose beyond the collection and appropriation of stock subscriptions, lay the danger and the wrong. The people furnished the principal and then paid interest upon it indefinitely. Here, and not in any hypothetical "restraint of trade" or crushing out of competition, the lasting evil would be found. Mr. Hill pointed out an easy and proper remedy. Compel every corporation issuing a paper security to show that actual value in cash or in property had been put up before allowing the securities to be issued. Where capital had already been inflated and stocks watered, compel the holders either to make good the difference between the total capitalization and the money and property actually turned in, by paying assessments, or else cancel the excess of securities over that total. It represents only greed and ambition to power.

His analysis of the situation was never contradicted

or set aside; but authorities, state and national, lacked the wisdom to understand or the sincerity to adopt or the courage to enforce his idea. Several states have, indeed, exercised the power to control the issue of railroad securities. This is of little consequence; because the state has already exercised, in some cases savagely, the power both to increase the expenses of railroads by all kinds of impositions and to reduce their rates. Whatever corrective the public might need can thus be supplied on either end of the scale. Industrial combinations, whose exactions come so much more closely home because they control things of prime necessity, remained, as shown by prosecutions under the Act of 1890, relatively immune. The public desire to subdue them to the helpful service of mankind settled down into a kind of hopeless inaction. It remains true, as any one can see who studies the paragraphs quoted from Mr. Hill's address, containing a doctrine that he held without the change of a word or a letter to the end of his life, that his method of dealing with the dangers of industrial combination, his plan of utilizing its enormous force for good while shearing away the locks in which resides its evil force, is impregnable in theory and would be effective in practice. This is one of his earliest, as it is one of his most valuable, contributions to the economic study of the times in which he worked and thought. It awaits acceptance by some wiser and sadder generation.

This chapter may well conclude with a notable act of disinterested service rendered by Mr. Hill to the business interests and to the whole people of Montana. One of the events of 1903, it also belongs to the chronicle of these fateful years. The reason for selecting it from so many others of its kind is rather its great moment to a whole community than its merit as a type. Mr. Hill was always responding to some such call as this, though most of them were less imperative. No disturbance of the ordinary and orderly course of prosperous, busy life left him cold. Where that was interrupted or menaced, to help restore it was a work of humanity. He was the head of a Red Cross service among business organizations and communities. Thousands of instances where his intervention rebuilt an interest or prevented its destruction gave vent to the helpful impulse that always stirred him in answer to any call for actual reconstructive work. Most of them were known only to the parties concerned. He shunned publicity. But sometimes they were on so great a scale that the bushel was too small to hide the candle. Then it was possible to know something of his disinterested service. Some instances have been given. One more, and this among the greatest, prevented an apparently certain demoralization of all the business interests of Montana. For the circumstantial account the writer is indebted to Mr. John D. Ryan, who was personally cognizant of them and furnished the details of the following story.

Montana, great in area, agricultural possibilities, scenic values, resources of wonderful range and abundance, was at this time most noted for her mineral wealth. Her rich copper deposits had built up a mining industry of great proportions and added hundreds of millions of dollars to the wealth of the world. Among the corporations and the men who owned them the struggle for control became bitter. The Amalgamated Copper Company was one. The remarkable and remembered personality of Augustus Heinze stood for implacable opposition. Everybody familiar with the events of that time remembers him and the battle royal that took place. Five years of litigation and political strife ended in a sort of deadlock which, in November, 1903, threatened to prostrate the state. One John MacGinnis, a lieutenant of Heinze, was a minority stockholder of the Boston & Montana Mining Company, about ninety-nine hundredths of which was owned by the Amalgamated Company. To cripple the company he brought suit for an injunction and receivership. District Judge Clancy granted an injunction prohibiting any direction of the Boston & Montana's affairs by its directors or officers, on the allegation that these were under the control of the Amalgamated Copper Company, which held the stock. Most of the producing properties of the great Butte camp were involved. A receivership would have followed the injunction speedily had not the Amalgamated Company suspended its operations. The

properties which it controlled at that time employed about 10,000 men in the Butte camp and about 15,000 in the whole of Montana. Winter was approaching. The forced idleness of so many men and the consequent paralysis of industry in all the mining and industrial centres of the state created a dangerous situation. It promised to set back the progress of Montana for many years. So bitter was the feeling between the contending parties that no one could see any likelihood of an end to the feud.

Seeing that ruin was impending, the business interests of the different towns took the matter up, as they do in large cities confronted by a general strike. Acting on a suggestion made by the Great Falls Chamber of Commerce, indorsed by similar business organizations throughout the state, a board of arbitration was selected and asked to meet in Butte and endeavour to bring about either some modification of the court's decree or some action by the litigants which would reopen the mines and put the men at work again. The arbitrators chosen were Mr. Hill, United States Senator Paris Gibson, and Mr. W. A. Clark. Mr. Hill immediately left St. Paul in answer to this distant summons. Arrived at Butte, the arbitrators held a session that lasted forty-eight hours almost continuously. At the end of that time, being unable to reconcile the conflicting interests of the hostile parties, the conference dissolved with the statement that nothing had been

accomplished. Mr. Hill was not accustomed to endure patiently the collapse of anything to which he had set his determined hand. He was bent on saving the people of Montana from the suffering and loss ahead of them. His fierce wrath would not brook the obstacle raised by private interest or political animosities. When the arbitrators adjourned he got into action. The remainder of the story can be told best in Mr. Ryan's own words:

"Mr. Hill individually, after learning that the Amalgamated officials were willing to resume operations on condition that the Governor of the state (Joseph K. Toole) should call a special session of the legislature to consider the enactment of what is known as a change of venue law, which would permit cases to be taken from a prejudiced court or a prejudiced judge or a prejudiced district, to one where fair play could be had, discussed the matter with the Governor on his special train between Butte and Helena, where the Governor, who had been present during the conference, was returning. His broad vision and sound judgment undoubtedly impressed the Governor. Although there had been much discussion and every other legitimate pressure brought to bear without result on the Governor by those who wanted to see the litigation between the big mining corporations of Butte tried before unbiased and unprejudiced judges, and under circumstances and conditions where both sides could have equal opportunity, within

two or three days after the return of the Governor to Helena, and after Mr. Hill had returned to St. Paul, the Governor called a special session of the legislature to consider the enactment of such a law, and instructions were issued by the Amalgamated officials to re-open the mines and all of the works of the company, and operations were again under full headway immediately. It has always been remembered of Mr. Hill with gratitude by the people of Montana that in the time of their adversity he dropped everything and came to help them as best he could."

## CHAPTER THIRTY-ONE

### A ROYAL GIFT

ONCE more the hand upon the dial of the crowded and kaleidoscopic years that end the old century and begin the new must turn backward. In 1899 the rounding out of his railroad system in northern Minnesota brought Mr. Hill into direct contact with the new mineral industry of the state. From that connection, at first unsought but clearly necessary and helpful to his railroad interest, emerged, in 1906, a fine and unselfish conception, and a princely act. No wonder that he always had the utter confidence and loyalty of those connected with him by the ties of business relationship and fidelity. Right royally was it now remembered. Mr. Hill matched his chivalry against theirs. The unconditioned gift of property worth actually, at one time, in the market, about $135,000,000, property which has, since that time, distributed a total of $11,250,000 to the holders of its certificates, without any other consideration than a personal unwillingness to profit by any transaction growing primarily out of the development of the railroad, and a desire that all who had put money into it should share, dollar for dollar, with himself in the benefits, was something unprecedented in

business experience. The original investment from which these mighty values grew was made by him as a private individual. By no obligation of law, of morals, of friendship, or of equity, except in the fine and high sense in which he understood these words, was he required to divert any portion of this wealth from his personal fortune. An act so impressive in itself and so significant in the motives that directed it well deserves a place of distinction in his biography. The seven years covered by it included, in addition to planning and supervision of the unceasing extension of the Great Northern's lines and traffic, the purchase of the Burlington, the struggle for control of the Northern Pacific, the formation and militant life of the Northern Securities, the preparations for building the Spokane, Portland & Seattle Railroad, and the study and labour devoted to the promotion of national conservation and the improvement of farm properties and farming methods throughout the Northwest—all of which have been or will be described in other chapters. Superhuman strength of body and of mind would seem called for to accomplish triumphantly tasks so many and so great. Yet to these one more, by no means the least interesting or impressive, was added. The history of Mr. Hill's acquisition of large ore properties in northern Minnesota, and his disposal of them, reads like a work of the romantic imagination. To friend and enemy alike it carried conviction of his inner quality.

The secret of iron ore deposits in northern Wisconsin and Minnesota, the latter soon to be known as the richest in the world, had been well kept by nature through the ages. It was exactly the middle of the nineteenth century, the year 1850, when the first trial shipment of Lake Superior iron ore was made from the Marquette Range, and the first discovery of iron ore in Minnesota was reported. Of the three productive iron ranges in Minnesota, the Vermilion, the Mesabi, and the Cuyuna, all of them of great richness and extent, this story is mainly concerned with the second. The first disclosure of importance in Minnesota had been made on the Vermilion Range in 1865. The tale of the development of this section is an interesting and almost thrilling record of personal struggle, failure, and success. While it was known in general in the latter part of the last century that there were iron deposits of promise elsewhere, exploration and development of the Mesabi Range were slow. The greater part of the preliminary work on it was done between 1890 and 1900. Even at this time there was no general knowledge of the extent and value of these ore beds. Of course, they were more talked about and more hopes were built upon them in Minnesota than elsewhere. Like the prophet in his own country, it is also true that in Minnesota they were regarded, by all except a few, with doubt and distrust. From the ore-bearing tracts of this land of forest, swamp, and barren

rock, exposed for untold years to the action of the weather, other elements had been leached away; leaving concentrated iron deposits of unexampled richness. The geological formation is such that these masses of hematite ore are of wide area and, on this range, do not exceed 500 feet in depth. Capable of being worked as open mines with the steam shovel, and yielding an ore with a very high percentage of the best quality of iron, they have since taken the leading place in the iron industry of the world. A bulletin of the University of Minnesota on iron mining in that state, by Mr. Charles E. van Barneveld, says: "Actual productions from the Lake region may be said to date from 1855. During the first nineteen years of its life the Mesabi Range produced 224,905,184 tons, roughly 45 per cent. of the total Lake Superior production, and, in 1910, the Mesabi is credited with 29,201,700 tons, almost 70 per cent. of the Lake Superior tonnage for the year, producing the raw material for approximately 40 per cent. of the American and 17 per cent. of the world's pig iron output."

Mr. Hill had eyes and ears always open for the discovery of new sources of mineral wealth. His exhaustive study of the coal supply has been mentioned more than once. He had given less time and thought to iron, because it was supposed to be absent in any considerable or paying quantity from the territory in which he operated. He was, however, familiar

with the general facts of the world's iron ore districts, consumption and demand. After his interest had been captured, he carried his studies into this field. A few years later he could describe the location and possibilities of all the known iron ore deposits of the world. He knew what variety and amount was furnished by Sweden, by Spain, by every country of South America where iron existed. He could say where each would find its best market, and how much of that market it could supply. He would give you in casual conversation the dimensions of actual mountains of rich ore in remote parts of Brazil, concerning which he had sent for and obtained accurate information. He investigated this subject as systematically as he had the trade possibilities of the Orient; and, later, the uses to which peat was put in Germany, with a view to the development of the immense deposits of it in Minnesota. But up to the time reached here he had taken only such interest in Minnesota iron ore lands as arose from their present or prospective contribution to railroad tonnage. These properties were largely in territory that his lines could reach or expected to control. It was clear that for many years the ore would have to go east, and would choose the cheap route of the Great Lakes. Its transit over a railroad would cover only relatively small distances, but its volume and weight and the ease of handling it by modern appliances make this profitable business. These considerations did

not, however, as yet, command his attention, because the whole industry in Minnesota was in its infancy. He became an owner of ore lands, in the first instance, not by forethought or studied intention, but in an almost accidental way.

The general scheme of extending the Great Northern's lines, after the construction of the Eastern Railway Company of Minnesota into Duluth, included a railroad from Duluth northwest, to connect with the existing lines at or about Crookston, Minnesota, thus affording a rail outlet for grain shipments from the West to the head of Lake Superior. As an initial step to this end Mr. Hill acquired the Duluth & Winnipeg Railway, a single track line between Duluth and Swan River, and organized the Duluth, Superior and Western Railway Company for the purpose of taking it over. The old Duluth & Winnipeg had a traffic arrangement with a logging road, running from Mississippi, Minnesota, through Swan River to a point near the present town of Hibbing; under the terms of which it hauled iron ore from the Mahoning mine, delivered at Swan River by the logging road, to the ore docks at Allouez Bay. This introduced a direct interest in iron ore production and carriage into the affairs of the Great Northern. A personal interest of a different and powerful nature had intervened before this to dispose Mr. Hill to consider and look into the whole question.

His eldest son, James N. Hill, and his second son,

Louis W. Hill, had both entered the railroad service in 1893, after leaving Yale University. Like every father whose life has been devoted to the handling of large affairs and the creation of great properties, Mr. Hill hoped that one or all of his three sons would take up and carry on, after him, what he had brought to such splendid consummation. He did not propose to constrain any of them. The third son, Walter, was still too young for railroad harness. To the others he gave their opportunity to learn the business under his thoroughgoing tutelage. They could then take it up as a life work, or turn to some other form of interest and occupation, as their aptitudes and their tastes, after a suitable experimental period, might decide. Both the boys were put through such a course of education as Mr. Hill, and every other father whose affection does not run away with his judgment, knew to be necessary. They began at the beginning. In the nine years of his connection with the road, J. N. Hill served in seven different offices or positions. L. W. Hill remained continuously in railroad work, and became president of the Great Northern in 1907. He began, like his brother, as a clerk in the comptroller's office, and appears, by the payrolls, to have been employed successively in eighteen different offices, one after the other. There was no doubt that the practical education of these young men would be complete. It included every kind of labour, from overalls up, where a man might

get knowledge of railroading, beginning with the alphabet and ending with the encyclopedia. Both made good. After his novitiate, J. N. Hill decided that another line of activity was better suited to him. He had shown conspicuous ability, and was made vice-president of the Great Northern in 1902. But his choice led him elsewhere, and was justified by his subsequent success in the other interests to which he decided to devote himself. Louis W. Hill remained with the Great Northern. He received his father's ideas, was in all the later years his right hand in carrying them out, lifted burdens by acting on his own initiative, and became, by his loyalty and filial devotion, expressed in a thousand acts rather than in words, the business confidant and helper of all Mr. Hill's later life.

The connection of both these young men with the purchase of the ore properties that came into Mr. James J. Hill's possession is close. The Eastern Railway of Minnesota, giving entrance to Duluth, has been mentioned several times. J. N. Hill was vice-president of this company for more than two years, from 1897 to 1899. L. W. Hill was president of it from January, 1901, to April, 1902. Both of them had, of course, not only lived in Duluth but traversed the outlying country and become familiar with the ore interests of northern Minnesota and their possible future. Both believed that the road should build into the iron country and get its business. J. N. Hill advised it. Louis

W. Hill was especially enthusiastic in the faith. He studied the formation of the country, drove over it in winter, examined ore samples, and made acquaintance with the owners of some of the lands. He invested there on his own judgment and responsibility. He kept talking to his father about the great future of this section and these values. Still, up to 1899, Mr. Hill was only partially convinced. At that date the railroad interest and the ore land interest, by sheer force of circumstance, reached a point of junction. The time had come to shorten the through line of the Great Northern from Duluth to the wheat fields of the Red River Valley and the farther West. Access to the lake terminals from the south and southwest was ample. The route from the Northwest was still too roundabout. So the Duluth and Winnipeg was bought and the building of the link by Cass Lake was decided upon. In the path was what was known as the Wright and Davis property, including the logging road just mentioned and some lands. Part of these were known to contain iron ore, one mine having been opened and leased. The natural assumption was that there might be more of it in the vicinity. But nobody knew to a certainty. The future of the properties as ore producers was as indeterminate as any other "prospect" in a mineral-bearing country.

Mr. D. N. Philbin was general superintendent of the Duluth & Winnipeg when Mr. Hill bought it. He re-

mained with it. He had been for years an enthusiast about the iron interest in northern Minnesota. He had talked it over many times with both the young Hills. He now added his efforts to persuade Mr. Hill that here was something worth his while. The Wright and Davis property, originally timbered and much of it now apparently made valueless by the lumbermen, included about 25,000 acres of unexplored lands on the Mesabi Range. On it was the Mahoning mine that became famous later. The new cut-off for the Great Northern must be built anyway. The line of the old logging road might be made, almost had to be made, a part of it. The lands would go with it. Such a purchase, as a whole, involving an element if not speculative at least not altogether identified with railroading, was not the kind in which a railroad enterprise directed by Mr. Hill was wont to engage. From the beginning to the end of his career he insisted on keeping it free from every such entanglement. So he decided to make this a personal transaction, and bought and paid for the entire property himself. The purchase was completed and the papers passed May 1, 1899, for the entire Wright and Davis property. For this, including the Duluth, Mississippi River & Northern Railroad, and the lands, some of them cut over, some under stumpage contract, and some known or supposed to be mineral, he paid $4,050,000.

The funds were furnished by him personally. The property was now his own. He had a right to do

as he pleased with it. He could have turned the portion of it necessary for the new line over to the Great Northern at an advance. Other men high in the railroad world and the financial world found no impropriety in making that kind of deal years before and years later. He could have kept the ore lands in his name and added all the values to be realized from them to his fortune. There was no more shadow on his right to do this than on his right to sell the milk of his cows. The point to be made is that at this moment everything was in his hands; not merely by accident of position or power, but by the same title that a man has who buys a city lot or a farm and pays for it with his own money. The Mahoning mine was at this time the only one shipping ore. Only one other deposit was known certainly to exist on the property. Explorations were going on and, of course, after these lands were bought, partly because they went with the railroad and partly because the existence of large quantities of iron ore there was suspected, they would be prospected and developed if results were favourable. Mr. Hill determined that this ore should be shipped over the Great Northern. This is the way he looked at the situation: "I did not want to carry on the ore business personally, for the reason that I had made it a rule that nobody working for the company, myself, or any one else, could have any business that called for the transaction of business with the company in anything along the railway where the company

was interested in the carriage. If the stockholders of the railroad company held the ores or if they were held in trust for them, the railway company would have a reasonable right to expect that the transportation of the ores on these lands would go over our line."

An analysis of this shows plainly the working in his mind of the laws of his code of business honour. The little railroad running in the direction where his line must go ought to be acquired for the Great Northern. The lands attached to it might be valuable as ore property. By this time he was ready to believe they were. The ore from the one mine opened and the others possibly to be opened ought to go to swell the traffic and earnings of the Great Northern. But the railroad must not be mixed up in a land deal. Nobody connected with the company ought, by holding these lands, to have powers and interests so largely distinct from those of the company itself. This tangle of conflicting principles could be straightened out in only one way. Mr. Hill must buy the whole property himself. He must render to the railroad the things of the railroad; namely, the logging line, right of way, and necessary property. He must turn this over at cost, so that no taint of personal profit could touch the transaction. He must, for the same reason, get rid of the ore lands; lest they should bring him wealth that he, as representing the company, could not accept when accompanied by this indirect and purely speculative admixture of personal advantage,

flowing through the channel of his office. If large ore deposits should be uncovered, this valuable traffic must continue to be so controlled that it would go over the Great Northern. Set all these ideas in motion at once, and the resultant of their forces is the line that Mr. Hill took. It pointed him straight to his almost quixotic resolution.

The Lake Superior Company, Limited, was organized to carry it into effect. That could do what he did not feel at liberty to do. In it could be shut up the property and interests which were to be transferred later to the stockholders of the Great Northern Company direct. To turn over the ore lands to them before these had been proved valuable would have been like giving them a lottery ticket. The whole thing must be worked out as it was worked out, through years of boring, analyzing, surface stripping, and other incidentals of development, until the ore property became a thing of ascertained and independent value. This the Lake Superior Company could do. Then the whole—definite, enlarged, compacted, a going concern—could be transferred to the Great Northern stockholders. This is the way Mr. Hill talked about it before a legislative committee in February, 1907: "I got my share simply as a stockholder, and that is all the interest I have in it—the same as any other stockholder. The lands went to the Superior Company at exactly what they cost. I haven't made the value of a postage stamp, directly or

indirectly, out of the transaction, in any way or manner. There is nothing private about it, nothing secret, nothing to conceal, and nothing to be ashamed of. I hope that I did right in the matter, and what I did will meet the approval of honest men. A great many people seem to be unable to realize that a man could hand over an immense property of that kind. Well, I did it. It hadn't the value when I did it that it has now, but I am glad it was put in that way, and if it had been twice as valuable I would have the same feeling."

The Lake Superior Company, Limited, was organized in 1899. This concern not only answered the need of the moment, but also dovetailed into other needs which had not yet specifically appeared. This Lake Superior Company became a holding company for various interests related to the railroad company. Some, like the ore mines and the great dock property at Allouez Bay, were matters already needing a caretaker. Others had to do with projects on different parts of the system where it was desirable that plans for contemplated construction should not stand openly in the name of the Great Northern, because this would rouse rivalry, raise the price of property, and promote innumerable lawsuits. Neither is it clear how these great ore interests could have been kept intact and subject to continuous development in the years that followed, if they had not been handled in exactly this way. The idea of a holding company for the railroad was at this time in mind.

In 1901 it materialized in the Northern Securities. Instead of being involved in the maze of litigation continued down to 1905, as they would have been if they had been mingled with Great Northern interests as a part of that company's holdings, and therefore forbidden to develop, the ore properties were kept in a separate and independent position until the Northern Securities case was out of the way, the atmosphere cleared, and an open route for the future secured. The Lake Superior Company could go on with its own business, handle mineral lands, invest its profits and act for the stockholders, without danger of interference while merger questions were threshed out in the courts. A lot of important odds and ends, coal mines, iron mines, elevators, and docks, not only in the Lake Superior region but at Buffalo, in the East, and in the West, were accommodated here until the time should be ripe for a general consolidation of the railroad company's interests. The Great Northern's report of June 30, 1900 said: "It is considered that these properties can be handled to better ends by a separate company. . . . The income from these properties or securities (belonging to the Lake Superior Company) will belong to the Great Northern shareholders." Mr. Hill said that, so far as the ore properties were concerned, which is the only matter to be dealt with here, "the Lake Superior Company was formed to hold them in trust, so that the profits, if any, from the mines, would

**LORD STRATHCONA AND MOUNT ROYAL**
A life-long friend and business associate of Mr. Hill

go to the stockholders, and the transportation would go to the railway; and the stockholders, being interested in the railway, would be a guaranty that the shipments or iron ore from these lands would go over the Great Northern Railway." The Lake Superior Company held the properties and administered them down to the time when, in 1906, a board of trustees to take charge of them permanently was formed.

During these years the work of exploring old lands and acquiring new went forward steadily. Louis W. Hill was active in looking after its details. James J. Hill was now convinced of the immense intrinsic importance of something which he had at first regarded as little more than an accessory of straightening the Great Northern's main line to the West. Money was spent in examining and buying other promising tracts, in drilling on those already owned and, in general, in creating a large mining interest about the property which in itself was apparently inconsiderable. Enormous development took place. The ore from the Lake Superior region was sought for eagerly. The value of the deposits grew, along with an ever-growing certainty of their extent and richness. Not many years were needed to make the Mesabi range famous. These properties waiting in the hands of the Lake Superior Company were sponsor for millions of wealth to be realized through long future years not of hope, but of certainty. The Duluth, Superior & Western Railroad and the old logging road

together made a complete line from Lake Superior to the Mesabi Range. Over the single track of this road 873,739 tons of ore were hauled in 1899, the year of the purchase. By 1906, when the definitive trust was organized, over 6,000,000 tons were carried on a railroad now grown into a double track line, maintained in the highest state of efficiency and repair. A few properties had been leased or sublet to provide traffic. At the time the trusteeship was created, the proprietary companies held approximately 65,000 acres of land. Everything expanded on a magnificent scale. Along with the Duluth & Winnipeg Railway had been acquired a small plant for handling ore at Allouez Bay. In 1903 the Allouez Bay Dock Company was incorporated, its stock being held by the Lake Superior Company. It was acquired in 1913 by the Great Northern. So immense was the development during a decade that in 1916 the Great Northern plant at this point consisted of four docks, one of them a concrete and steel structure with a total storage capacity of 335,430 tons, which afforded facilities for handling, in one navigation season, approximately 16,000,000 tons of iron ore. At least 300,000,000 tons of controlled ore were known to be available for future shipment. The railroad company received fifty-five cents a ton in freight revenue. Shipments reached highwater mark in 1912, when the iron ore traffic of the Great Northern was nearly 14,000,000 tons. For reasons to be stated, it fell below this figure

later. But it recovered quickly. Its past has realized, its future will transcend the estimates of Mr. Hill.

In 1906 the importance of these ore properties was so great as to call for continuous systematic development on a large scale; and so well understood that producers of iron at the East were anxious to have access to them and, if it might be, to control their output. Both ends were served by an arrangement concluded by Mr. Hill with the United States Steel Corporation. Negotiations had been going on for a long time. Even at the end they moved slowly; so that while this important document bears date of January 2, 1906, it was not completely executed and delivered until September 16 of that year. It was based upon a sliding scale of prices, according to quantity of ore mined and varying with the lapse of years, with rather complicated details which need not be recited here. Both the royalty and the amount taken out were to increase until a fixed maximum was reached. The time had now come to carry out Mr. Hill's idea about the disposition of this immense and valuable interest. Litigation over the Northern Securities was ended. The affairs of the Great Northern were in settled shape. The lease just concluded was expected to last indefinitely. Everything was ready for the distribution of these splendid values and profits according to Mr. Hill's fixed determination. December 7, 1906, all of the ore properties, title to which was in several different

corporations, were placed in a trusteeship. The trust agreement was made between the Lake Superior Company and Mr. Hill's three sons, Louis W., James N., and Walter J. Hill, and Edward T. Nichols, as trustees. The outstanding capital stock of the Great Northern Company was then $150,000,000, or 1,500,000 shares. The entire beneficial interest of the trust, therefore, was made to consist of the same number. Share for share, these certificates were distributed as an outright gift to the stockholders of the Great Northern Railway Company of record at the close of business December 6, 1906.

The lease to the United States Steel Corporation was to run until all merchantable ore in the lands leased had been exhausted. It contained, however, a provision that, by giving two years' notice, the lessee had the right to cancel the lease on January 1, 1915. For various reasons, industrial and possibly political, this notice was given in October, 1911. During the time its lease was operated, the United States Steel Corporation took out, in all, 26,573,808 tons of iron ore and paid to the trustees a total of $45,174,225. After the cancellation of the lease, the trustees formed their own separate organization, and mined and marketed the ores, in addition to leasing properties direct to furnace and consuming interests from time to time on a royalty basis. With greatly increased demand for iron and steel and higher prices, the enterprise promised to yield

large and uninterrupted returns for an indefinite time in the future. That the change in system of operation did not affect the standing of the trust property as a business concern is shown by the fact that the cash distribution to the certificate holders remained at $750,000, paid at some time during every calendar year, down to and including 1916. At the end of the calendar year 1914, the trustees had paid out to the railroad company for freight on ore shipments nearly $15,000,000. Royalties paid were about as much more. There was a cash balance in the hands of the trustees of approximately $8,500,000. The total payments to Great Northern stockholders or those to whom they sold their certificates from the formation of the trust to June 27, 1916, were $11,250,000. This sum, added to freight payments, makes a total amount of between twenty-five and thirty million dollars, the magnificent yield to that date of the bounty of Mr. Hill, presented to the stockholders of his railroad system.

If, to the figures of cash already received, there be added the certain income from the hundreds of millions of tons of ore in the properties administered by the trust, always growing in value, always most available for consumption because of the cheap open mining system and the nearness to water transportation, the total ultimate money value of this royal gift will reach startling figures. It was a deliberate act. It is more enlightening and more conclusive than volumes upon the

character of the man; because, from that character, it drew its motive and necessity. There was no reason in the world, in law or morals, why he should not have added these many millions, coming from a property purchased with his own money, to his own fortune. The truth is that he never thought of such a thing. Not to do so was for him both a matter of conscience and a point of pride. He recognized that inner compulsion which has ruled a few great men in those crises that express from human nature the essence of its greatness or its littleness. He "could do no other." It deeply delighted him to pass over this huge honorarium to the men who had been interested in his enterprise from the beginning, and who had stood by him so loyally through storms and among rocks and shoals that promised shipwreck. In the constellation of the Great Northern's success a new star of striking brilliance was to appear. Of his own part in what he did he thought little. Its magnificence consists partly in the simplicity of his own thought about it. There is impressive royalty of mind, something far higher than the just satisfaction of being a benefactor on a colossal scale, in the matter-of-course words in which he himself answered a leading question: "A great many people have asked me why I didn't keep the lands. I suppose I might have kept them—I don't know any reason why I shouldn't when I bought them —except that I prefer to have the shareholders have

whatever there was in the transaction." His refusal of personal profit was like his reply to the lure of control of a continental railroad combination; to more than one temptation to some great betrayal or some minor meanness; to the multitude of suggestions made to him during his life that for some purpose, high or low, he should be "falsely true." He did not strike an attitude. He just said quietly, with that look of mingled surprise and scorn which no one who saw it failed to remember, "No, I couldn't do that."

## CHAPTER THIRTY-TWO

### A PIONEER OF CONSERVATION

ALTHOUGH Mr. Hill's mind seemed always busy with the details of his transportation system, with construction, operation, maintenance, financing and the thousand and one demands made on his attention by his life's work, it was continually engaged, in some deeper depth, with large economic problems. He pondered everything, and was fascinated by curious researches among the fundamental facts and laws that environ and shape the life and labour of man upon the earth. This serious and systematic study, enlarged by experience, enriched by the contributions of years, tested by observation and revealing to his ardent nature a present crisis, led him to certain practical conclusions which he found it both a duty and a pleasure to give to the public. He opened, in 1906, a campaign of popular education in the wickedness and dangers of waste, from which the whole conservation movement in this country, and its actual accomplishments in legislation and in custom, trace their origin. His expert knowledge of the farm, and of the value of live stock to agricultural progress, his interest in drainage in Minnesota, his familiarity with irrigation past and

present, had all contributed to lead him to the threshold of a broad generalization. He crossed it in the memorable address that he made at the Minnesota State Fair, September 8, 1906.

Up to this time the conservation of natural resources in the United States had been in theory ignored and in practice a thing of shreds and patches. Like the habits of industry and thrift, it could be commended as most excellent for somebody else to adopt. But its adepts were few. The big interest and the community were both making too great haste to be rich to bother themselves about any such ideality. "Until late in the nineteenth century," says President Van Hise in his sketch of the conservation movement, "the resources of this country were commonly regarded as inexhaustible." American literature on the subject scarcely extended beyond Professor Shaler's admirable little outline sketch, "Man and the Earth." There had been much experimenting with soils in other lands, little in our own. Forestry had made a little headway, but was not taken much more seriously than an attempt to find Robin Hood's barn. Irrigation, of course, of immemorial antiquity, was common in many parts of the West. Mr. Hill interested himself in that; and even before the date from which the essential portion of this chapter begins, he had, in 1905, read a paper before the National Irrigation Congress, at its meeting in Portland, Oregon. But reclamation work, such as this, is

conservation only in the largest and loosest sense. The general principle of a prudent preservation and careful use of all natural resources, and its direct applications, captivated both his imagination and his strong sense of practical values. So he now engaged in a deliberate study to bring together and concentrate upon a focus the wandering beams of light from different portions of a vast but nebulous firmament of knowledge and of warning.

He investigated and verified world statistics of production and consumption. He massed his facts. Then he drew conclusions logically inescapable. When his message was ready, he selected the great agricultural anniversary of his state for the occasion, and the farmers of the Northwest for the audience. Before a throng of many thousands whose interest he held for hours, he delivered his impressive address on "The Nation's Future." Nine months had been devoted to the preparation of the material that was condensed into a little pamphlet of less than thirty pages. The theoretical starting point was essentially the same as that of Malthus and Ricardo. The purpose was to show an escape from the *impasse* into which their mathematical theorems, as applied to beings with life and will, led their followers, and from the black doom that they had hung above the world. Like Malthus, Mr. Hill set out from the law of population increasing in a geometrical ratio. Unlike him, he looked, for the salvation of

the future, not to established checks upon the multiplication of the human species, but to an equivalent multiplication of its means of support. Like the older economists, he admitted the law of diminishing return as applied to land. But, instead of looking hopelessly to the day when the people of the world must be satisfied to eke out a wretched and dwindling existence upon soil just at the level of cultivation, he predicted and would prepare a world made rich everywhere in productiveness beyond the dream of past imagination. He opened new vistas. He drew away a veil from murky skies where the early theorists of the "dismal science" had read signs and wonders and written prophecies according to their kind. He mingled with the word of reproof and warning the word of promise and of cheer.

To the logical arrangement and expression of his conception Mr. Hill gave more care and thought than to any other public utterance of his life. Like all great ideas, his is essentially simple. "The Nation's Future," is a document weighted with real concern for the economic welfare and the political safety of this country. It worked out, necessarily, into a system applicable to all the world, and may be summarized briefly. Man's physical life is supported and his progress guaranteed by two kinds of material and indispensable resources. The first is food; the second, those commodities that protect and aid the body in its work and growth—clothing, shelter, implements of every kind.

When statistics of every country and every industry are examined, it appears that both classes of these necessaries or supports to human advance are being either actually exhausted and totally extinguished or levied upon for present consumption at a rate that will impoverish the future. The consequence, if the process continue, is as certain as that of drawing water perpetually from a reservoir without replenishing it. The inquiry made by Mr. Hill included the basic staples of all the main kinds of industry in the leading countries of the world. As to food, the investigation led into territories of fact that he had made peculiarly his own. He knew what had been done in Europe. He was familiar with the Rothamsted experimentation. For nearly twenty-five years he had been telling the individual farmer, and the farmers of the Northwest as a class, that they were neglecting opportunities and throwing away offered wealth. He had urged upon them deep ploughing, repeated cultivation of the soil, rotation of crops, fertilization and the raising of live stock. Thus only could they add to their wealth and prevent soil decline. All he needed now was to enlarge the dimensions of the picture and deepen its background. The problem of the individual farmer became the problem of the world. Since population will go on increasing, while the land area of the globe must remain substantially fixed, it will be necessary to increase and maintain the productive power of each acre at least as

rapidly as population grows. On one side this meant new methods, and on the other the preservation and improvement of soil quality. The latter is conservation, pure and simple. As to the accessories of life, things of wood and iron, fuel supply, all the external agencies that destroy natural resources to minister to our needs and at the same time to enlarge them, conservation must also come into play. We cannot rely upon the assistance of future discoveries or applications of science. That would be to squander all we possess to-day in the vague hope that somebody some time is going to leave us a comfortable legacy. There is just so much coal and iron and other useful mineral wealth stored in the earth. Extracted and used, it is not reproduced. There are just so many billion feet of standing timber on the globe. This, it is true, may grow again; but it would not reach the useful stage for decades or centuries. Impending scarcity can be averted only by economy; and the future made secure only by a scientific system of forestry. Every resource useful to man depends upon him for preservation, in the same bond that he depends upon it for existence and development.

Under each item of this programme Mr. Hill gave facts and figures from the records of the world and its different industries. He dwelt most forcefully upon the conservation and improvement of the soil; because that, in the last resort, is man's one unfailing support.

He bent all the persuasive and convincing vigour of his mind to compel the people to see the urgency of a problem before it hung its sword above their heads. He pointed out the danger to intelligence, to morals, to democratic institutions, in neglecting the clear mandate of the future. He called upon the Government to establish model farms everywhere in the agricultural states, to "show exactly what can be done on a small tract of land by proper cultivation, modern fertilizing and due rotation of crops." More briefly and rapidly, but with no less evidential conclusiveness, he traced a plan of conservation for manufacturing, commerce, all the varied complexities of a modern industrial society. He tried to make the individual see himself as necessarily involved in the success or failure of all humanity as an economic unit. The eyes of the country must be opened. "Only thus may the struggle for existence, that has power either to curse or to bless, be brought to any other termination than the peace of death."

It would be difficult to exaggerate the effect produced by this statement. It came at a psychological moment. It emanated from a source of power. The occasion resembled that on which a scientist of world renown tells for the first time his discovery of a new metal, a new gas, a new law of physical or chemical action. But while the latter appeals in the first instance to an educated few, Mr. Hill's words were meant for and were taken up by the many. An emergency—

believed, whenever it was thought of at all, to be too distant to touch our present, like the effect of the gradual cooling of the earth—was shown to be already knocking at the door. His address was published in full by the *New York Herald*. It was taken up by newspapers from one end of the land to the other. Huge volumes of scrapbooks are filled with public comments upon it. He received letters about it from all over the world. Requests for leave to reproduce it came flooding in. It was republished nearly a score of times by individuals, institutions and societies in this and other countries. It was translated into several languages. Best of all, it did not end in a temporary sensation and a dying echo. Seldom have counsel and warning borne such immediate practical fruit. The time was ripe, the word fitted the time, and the conservation idea sank deep into the mind of the American people. It dates its real origin, as an accepted rule of conduct, from Mr. Hill's memorable address. So great was the interest and so general and continued the discussion which followed his statement of the nation's need that political powers took cognizance of it. It was one of those not-too-common cases where many leaders saw that to support and further a wise economic principle would win popularity. The truth was so plain and the facts had been so clearly and convincingly stated that public opinion stood up solidly behind them. Men might, some did, question

whether the fate of the waster would come upon us in just the number of years that Mr. Hill thought it possible or probable. They did not question the law, or attempt to deny the ultimate fact. In all the states the topic was soon alive. It did not escape the notice of so keen a reader of the people's thought as President Roosevelt. While not unwilling to fall in with a popular tendency, his facile intelligence also appreciated the worth of the idea. Together they made an opportunity. The statesman in him joined hands with the politician. He called a conference of the Governors of the several states, to consider measures for the conservation of national resources.

This body was in session three days beginning May 13, 1908, at the White House in Washington. It was the official beginning of conservation as an organized movement covering the whole country. Mr. Hill was invited to address the meeting. He made an impression as profound upon these representatives of public opinion in the states as he did upon the farmers who had gathered to hear him at St. Paul, and upon the thinkers in every large centre of intelligence throughout the world where his first discourse had been read. This White House address began with a restatement of the thesis and a condensation of the argument of "The Nation's Future." He gave it a keener point for this occasion, however, by forecasting the effect of a decline of national resources upon the political future of the

United States. He said, "No people ever felt the want of work or the pinch of poverty for a long time without reaching out violent hands against their political institutions, believing that they might find in a change some relief from their distress." He quoted the letter of Lord Macaulay, predicting that our day of trial would come when increase of population should press hard upon a territory fully occupied, and enhanced in value beyond the reach of the poor. He took the broadest possible ground: "Since the unnecessary destruction of our land will bring new conditions of danger, its conservation, its improvement to the highest point of productivity appears to be a first command of any political economy worthy of the name. The first task, it seems to me, must be to force home the facts of the situation into the public consciousness; to make men realize their duty toward coming generations exactly as a father feels it a duty to see that his children do not suffer want." To this end he called for an extension of the work done by the Department of Agriculture and the agricultural colleges of the various states. He elevated the truth which this meeting had been called to consider from an economic theory to a "patriotic gospel." He had gone into this work himself in the true missionary spirit. That spirit inspired him as he spoke. The New York *Sun* gave this account of the effect he produced: "Before Mr. Hill had finished one-half of his address the bell sounded the warning which

meant 'three more minutes,' and Mr. Hill paused but the chairman made a gesture indicating that he should proceed. Three minutes later came two strokes of the bell, and Mr. Hill stopped again; but loud calls of 'Go on! Go on!' encouraged him to proceed and he was not interrupted again. After the reading of his paper Mr. Hill was personally congratulated by Secretary Cortelyou and Secretary Garfield and Secretary Wilson, who occupied seats on the platform, and the applause of the governors and delegates lasted nearly two minutes." This address complemented that made a year and a half before; and, with it, reached all the different levels of the public thought. From this time the conservation movement gathered impetus. Shortly afterward the President appointed the National Conservation Commission. It held its first meeting a month later. Scores of organizations, local as well as general, were formed to explain and enforce the practice of conservation of our resources. The principle, though far from triumphant over the lust for wealth and power, became an unquestioned law for national life and action.

Mr. Hill never looked back after having put his hand to the plough. Once in the grip of this great general idea, he applied it scientifically and followed wherever it led. Its virtue and the vastness of its scope were first fully revealed to him, perhaps, in its application to soil preservation and renewal. That was the main artery through which his interest in it

throbbed. There will be occasion to speak of this at more length and from abundant materials in the description of his accomplishment in the restoration and improvement of agriculture. That subject, so immense in itself and filling a place in his life almost equal to that assigned to the problems of the carrier, demands and will receive an analysis of its own. It is sufficient here to follow, through his words and acts, other developments and ramifications of the conservation idea. It was constantly fermenting in his mind, and from it flowed through many years the heady wine of new and helpful thought. Naturally, after his initial service as inspirer of the conservation movement on a national scale, his advice and assistance were in great demand. This, as an organized mission, made but slight appeal to him. Few such organizations did. Like all men of supremely high mentality, he pinned his faith to the life and reproductive power of the idea. That was fluid, penetrating and creative. Once embodied in an organism, it lost something of freedom and of worth. So, although he seldom refused the stimulus of his presence and his speech to the associations now so numerous and so active in spreading the conservation gospel, he went on developing and applying it in fields and ways distinctly his own. In 1910, he addressed both the National and the Minnesota Conservation Congresses. He spoke to the Minnesota Association again two years later; but the body and purpose of his thought were

now bent mainly in two directions. One led to the first object of his intention and care, conservation on the farm; the other struck out a new path. This was the fit and necessary relation of conservation to capital and credit. In it were foreshadowed the office and right rule of the banking and general financial interest which was to occupy so large a place in the closing cycle of his life.

It is difficult to untangle the closely twisted filaments in a mentality such as this, or to analyze as independent entities the activities so closely and harmoniously blended. A chronological life of Mr. Hill, treating each year or group of years as a whole, would be a collection of fragments instead of a building architecturally complete. The most faithful attempt to explore, without divergence, tracts of it which appear uniform or at least closely related, runs up, unless the analysis goes deep enough and spreads wide enough, against the difficulty of tracing the organic connection between apparently unrelated things. His natural antipathy to waste and his solicitude for prosperity on the farm, both of them traits that were derived from his earliest years and were rooted in the primary character of the man himself, led him to the principle of conservation. Throwing contemptuously aside the petty detail and the bobbins of red tape by which that principle was presently swathed, through the hectic industry of men of great sincerity but limited vision, he followed it into

another territory, that of finance, which also it had been a part of his life work to occupy and to know. Conservation he had accepted as a general rule for wise human action. It applies to the forest, to the mine, to the field, to manufacture, to all the obvious forms of human effort. Where it is neglected or denied, life forces are impaired. Has it not elsewhere an incidence equally apt and possibly as necessary?

To carry it into the financial realm, and develop the theory of conservation of capital and credit, was but to make a metaphysic of his own work in financing a railroad system. Less captivating than the idea of conservation of natural wealth, this was less instantly and cordially received. Eventually, perhaps, its consequences may be even wider and more lasting. Men who see a tree cut down understand that many years must pass before another can fill its place. If they see a bucket of coal shot up from the bowels of the earth, they know that nature will almost certainly never restore a similar mass of matter to the space left vacant. They are slower to see and to believe that the same law prevails in the less tangible world of capital and the intangible world of credit. To illuminate this truth now became Mr. Hill's particular care. In one of the addresses of 1910 he made an exhaustive study of the public abuse of capital and credit. Comparatively few federal statistics on this subject were then available. The reports of the treasurers and auditors of all the states were

called for, examined and collated. Thirty of these that were found consistent and intelligible were tabulated It appeared that state expenditure in the nine years ending with 1909 had increased more than 201 per cent.; while the wealth of the whole United States between 1890 and 1904, a period half as long again, had increased but 65 per cent. This was a destruction of capital to which the conservation rule ought to be applied. If it were not, Mr. Hill pointed out plainly the inevitable result: "You cannot cheat the first four rules of arithmetic. As you cannot eat your cake and have it too, so you cannot spend your money for one thing and also use it for another." In this stupendous growth of public expense for non-productive purposes he saw the greatest check upon progress, and one of the heaviest and most impoverishing burdens upon labour. Here was room and need for conservation.

The same was true, on an even larger scale, of credit. Money for expenditures such as those reflected in a considerable part of these totals must be obtained by borrowing. No people could endure the taxation that cash payments would require. Besides, the country had been assured by Daniel Webster that "Credit has done more a thousand times to enrich nations than all the mines of the world." Communities not only believe this, they take it crudely at its face. They do not turn the coin over and look at the other side. The converse proposition, the misuse of credit, gives rise to

the most terrible calamities of modern times. Mr. Hill, in 1913, urged the conservation of credit with almost angry emphasis. He pointed out that in the five preceding years between eight and nine billion dollars' worth of paper had been put out by corporations. Again and again he reiterated the law that excessive spending, based on unlimited borrowing, must sap the foundation of the social structure, just as it rots the fibre of the man himself. "Grant credit unwisely and you open Pandora's box." Let the lumbermen fell all your forests, and soon you cannot build a roof above your head. Shut up all your forests in reservations or bar access to them by the hedge of useless regulations, and tomorrow again you will be houseless. Somewhere between the two lie comfort and sanity and progress. Use all your cash capital to buy automobiles, or to sustain a horde of useless officeholders, or to underwrite vast schemes of paternalism based on that sort of humanitarianism whose motto is "Let the other fellow pay for it," and the community goes bankrupt. Use credit in like manner, and the result is veiled. When the actual dollar goes, you can see the empty place that it leaves behind. But debt is a winged thing. It reproduces itself in secret chambers until your imagined prosperity falls to pieces because the moth and the worm have eaten it.

Once more an intelligent and prudent people is driven back upon conservation. Use capital and credit; but use

them wisely, scientifically. A public or a corporate treasury should be guarded more carefully than a waterfall. The latter will furnish power to the end of time. Even if control of it should be given away in folly, wisdom may one day recover it. The former is a lake fed, indeed, by constant secret springs, but of limited volume and flow. Start the steam pump at a thousand gallons a minute, and after a while you have nothing there but mud and crawling forms of lower life. Worse than that, the burning sun upon the hidden fount will dry up the living source once thought inexhaustible. In place of perpetual power and refreshment you have made drought and death visible; in order that, for a little space, adjacent land might be drenched with a destructive torrent, where a few inches of water would have ministered to it in perpetuity. This was Mr. Hill's conception of the need and the uses of conservation in the broad field of finance. If it was less popular than his work on similar lines elsewhere, that was only because it was a more advanced and unwelcome form of effort and instruction. He could see no difference between an acre of ground left barren because its occupant had exhausted every atom of fertility in the soil and the same acre lying waste because its whole product could no more than pay interest and taxes. His grip upon the general principle never relaxed. He meant that men should work hard, live thriftily, save money, and put it at work again productively. He meant it be-

cause he believed that nature meant it. He was terribly in earnest, because he knew that she could and would enforce her decree.

It has seemed proper to follow out here one line of Mr. Hill's thought and purpose, although the applications of it cover many fields and stretch through many years. From the address at the Minnesota State Fair in 1906, to his address on "The Use and Abuse of Credit," in 1913, there is a natural evolution of mental and moral ideas. In the first he said that we must conserve our national resources that "our children's fortunes may be made secure." In the second he said: "Nothing casts a darker shadow toward our future than the misuse of credit. . . . It is perhaps, the meanest form of stealing ever invented; because it adds to the criminality of breach of trust the baseness of embezzling the future resources of our own children." The railroad, the farm, the bank have come together. They acknowledge one guiding hand. Through them all, one unceasing mandate runs. If Mr. Hill wrought a mighty work in diverse ways, it is because he disdained the superficial; and sought in nature and in man the few simple, immutable laws that must eternally prevail. So grasped, comprehended and applied, the idea of conservation becomes no less than an intellectual and moral apprehension and use of the mysterious ways of Providence.

## CHAPTER THIRTY-THREE

### SETTING HIS HOUSE IN ORDER

THE attempt of Union Pacific interests to compel the return to them of the same stock that they had turned over to the Northern Securities was more than a straw to show the direction of the wind. It meant, if successful, an immediate renewal or a permanent possibility of hostilities. Control of the Northern Pacific would always have been in danger. The defeat of this attempt and the distribution of Northern Securities assets, by order of the court, as Mr. Hill had planned, closed that chapter. But the relation of the Northern transcontinentals to that large portion of Pacific Coast business finding its natural outlet through Portland was sure to be unsatisfactory. Indeed, it was little more natural or final than at the close of the period described in the chapter on early railroad development in the Pacific Northwest. The Northern Securities properties having been "unscrambled," to use a term afterward coined by Mr. Morgan, the hoped-for community of understanding and action on general lines between the Harriman interests and the Hill-Morgan interests could not materialize. That policy had suffered a compound fracture by the cool rejection of a plan of compliance with the court's

order which had at first been approved and accepted. The bitter prosecution through all the courts of the attempt to retain a dangerously large holding in Northern Pacific, and the blocking of plans believed by the northern lines to be essential to their future, made close coöperation over large areas and the joint use of any considerable length of trackage by the two interests undesirable even if it were not impracticable. Confidence in the permanance and fair execution of such an arrangement would always be weak. The Union Pacific was actively at work to procure independent entrance and terminals in the Puget Sound region. There was going to be more or less open war in Washington and Oregon. It behooved a good general to plan and make preparations for an impregnable defence and an independent control of the bases of his own position.

Mr. Hill had never, from the first, left out of his scheme some provision for traffic rights into and out of the City of Portland. It will be remembered that long before his line reached tide-water at Everett he had arranged for such accommodation. The business of which Portland was the collecting and distributing centre could not be overlooked or sacrificed. That city divided with Seattle the commercial honours of the North Pacific Coast. The government engineers had opened for it a deep channel from the Willamette to the sea. From the wheat fields of southern Washington and northern Oregon there was a water-level grade

down the banks of the Columbia. It was a great advantage not to be obliged to pull heavy trains over the summit of the Cascade Mountains. The Northern Pacific line through to Tacoma and thence southward to Portland was too indirect. The business of a large and fertile area was naturally tributary to Portland. So long as the traffic over the northern lines might have a choice of exits to the sea, all would be well. In the present disposition of affairs and people, indefinitely continued use of the tracks down the Columbia of the old Oregon Railway & Navigation Company, controlled by the Union Pacific, could not be counted on upon reasonable terms. Mr. Hill saw clearly not only the immediate act, but the general principle that each competitive group should be independent. His mind was as open when this seemed to operate against him as when it marched with his interest. In a letter to President Harris, of the Burlington, in May, 1905, he said: "If I were at the head of the Northwestern or the St. Paul, I would never be satisfied with a connection over some other line that was a natural competitor from the common point eastward. The Northwestern and St. Paul, with over fourteen thousand miles of railway, would if they built to Puget Sound, be a great acquisition to the business of the sound and would go far toward putting it on a foundation, viewed from the commerce of the world, ahead of San Francisco. This would, in my judgment, help our lines much more than

any possible injury it could do; in other words, if we cannot hold our own in competitive trade we must make room for whoever does it better than we do." This was a wonderfully courageous and farsighted view. It was not "brag" to discourage an enemy; but a confidential expression, to a friend and business associate, of his inmost belief. Most railroad managers would have lain awake nights, imagining the damage that such competition might do and scheming how to head it off. Mr. Hill saw business enough for everybody; and believed that, whatever might happen to the hindmost, the foremost could take care of himself. The building, later on, of the Puget Sound extension of the Chicago, Milwaukee & St. Paul, creating a profitable traffic for itself coincident with a rapid and uninterrupted growth of business on the older lines, proved the justice of his view.

In the southwest he saw the same conditions turned end about. There must be an outlet independent of the Union Pacific from Pasco, to the mouth of the Columbia, and a short line through from Spokane. This was vital to the future of Great Northern and Northern Pacific interests in that section. If it hurt anybody, that, according to his conviction just stated, would be the sufferer's own fault. With an open field and no favours, things must always come out about right. This determination took effect in the building of the Spokane, Portland & Seattle line. In August,

1905, the Portland & Seattle Railway Company was organized to build from Spokane to Seattle, from Spokane to Portland and from Seattle to Portland. Its powers covered also the construction, purchase and operation of boats on the Columbia River. The capital stock was placed originally at $5,000,000. Directly or indirectly, the stock of the company from first to last was controlled or owned by the Great Northern and the Northern Pacific, acting jointly. The north bank road, occupying that shore of the Columbia, was to make them both independent of any other system in the triangle included within the lines joining these three cities and in their tributary country. It could, at need, be used as a base of operations, offensive or defensive, should future developments in Oregon call for action. The Northern Pacific and the Great Northern had but one opinion in this matter. In July, 1905, Mr. Hill had made the following explanation in a personal letter: "Tuesday last the Northern Pacific Executive Committee appointed Messrs. Robert Bacon and James N. Hill as a committee to confer with our company, taking steps to build a line from Pasco along the north shore of the Columbia River to Portland. As this line would furnish access to Portland for both the Northern Pacific and the Great Northern, it has been determined to build the line through an independent company, the bonds of which will be guaranteed by the Northern Pacific and Great Northern and the

stock equally divided between the two companies. The Great Northern can turn its business over to the Northern Pacific at Spokane, or they can build from a convenient point west of Spokane down to a connection with the Northern Pacific at or near Ritzville. The main object of having the line owned equally and jointly from Pasco to Portland is to preserve for each company independent rights through that territory, and, while taking possession of the north shore of the Columbia River, avoiding the necessity of any duplication of mileage hereafter."

With the ownership of the Spokane, Portland & Seattle vested in the two powerful and prosperous northern transcontinentals, money and credit were already amply provided. Construction began in 1905, the road was built in the most substantial manner, and the last spike was driven March 11, 1908. Always generously appreciative of the work of others, especially when they, too, had been pioneers, Mr. Hill said, in his address at the celebration, in Portland, of the opening of the North Bank Railroad, "I think you ought not to forget the memory of Henry Villard." The two parent companies now had a line 556 miles long, holding the north bank of the Columbia, and the permanent financing followed. In April of this year the capital stock was increased to $25,000,000. To complete the history of this cap stone to the railroad edifice in the Pacific Northwest, it will be necessary to

go forward three years more. In 1911 the capital became $62,500,000, and the two owners entered into a detailed arrangement for the use and security of their joint property. The main points of this covenant were that they would purchase bonds of the Spokane, Portland & Seattle in equal quantity; that they would maintain with it a fair interchange of traffic; and that neither of them would sell its holdings of that company's stock until the mortgage had been satisfied. This extension and completion of facilities answered every expectation. It gave to the northern transcontinentals freedom of action, as well as freedom of access over their own lines to the entire North Pacific Coast. It put them in a strategic position of such strength that any attempt to invade their territory from the south, with a view to breaking down their business, could be met at once by effective retaliation.

It is clear that this rounding out of systems from the Columbia River on the south to the international boundary on the north, and extending to Vancouver, British Columbia, was both necessary geographically, and compulsory from the traffic point of view. It settled questions that had been in doubt and controversy for nearly or quite twenty years. It opened the front door and locked the back door of an important part of the Great Northern's territory. The public at the time took a more sensational view. There was always present to the reportorial eye, "in a fine frenzy rolling," a

picture which the next reel of film would project upon the screen, of Mr. Hill and Mr. Harriman, as represented by the Union Pacific on one side and the Great Northern on the other, locked in a death struggle. Nothing of the kind was contemplated by either of them. Nothing of the kind could happen. Both were good strategists, both were out after business, and each intended to have his defences in good order. Current gossip talked of a through line to be built by Mr. Hill to San Francisco, and an equally vigorous attack in the north by the Union Pacific. What was in the mind of Mr. Hill and what was not are both stated plainly enough in a letter that he wrote in May, 1911, to a member of the Morgan firm:

"The Union Pacific started to build to Puget Sound, and, in order to avoid the reduction in revenue, etc., the Northern Pacific proposed a trackage arrangement, on a basis of about $5,000 a mile, to which the Union Pacific objected unless the Great Northern would join in the arrangement and, in that way, reduce the rental. The Great Northern had, years ago, run a survey on lower grade that would cost an amount which, at 4 per cent. per annum, would be but very little, if anything, more than it pays as rental for the joint line. In order to recover business lost to the Union Pacific from Puget Sound, we took steps to secure a part of the Oregon business, which had practically all been controlled by the Union Pacific. The Great Northern secured these

properties in the first instance and, in order to avoid any friction, turned over to the Spokane, Portland & Seattle a half interest at cost. Both the Northern Pacific and Great Northern have made what, for the length of the line, is, at least, an unusually heavy investment, in the Spokane, Portland and Seattle, which investment can only be made remunerative by securing for it a heavy tonnage, which its own line does not now and may never enjoy without extensions receiving tonnage which can be brought to its rails. This can only be done by securing a part of the traffic of Oregon and California. To build a railroad to San Francisco would cost, with terminals, not less than sixty million dollars. The Great Northern would not, under any present or probable future conditions, be a party to such an undertaking. The Tillamook line, with streamers to San Francisco, will secure the greater part of whatever advantage the long rail line would give, and can be in operation within two years at a cost of three and a half millions additional. With such a line into San Francisco, the Union Pacific would never have gone to Puget Sound, and, in the future, they would be slow to provoke any strife in common territory."

With the purchase, in 1907, of the Astoria & Columbia River Railroad, which included valuable Astoria waterfront, and with the completion and putting into commission of two modern steamships to ply between this terminus and San Francisco, the provision

for the needs of his system in this direction were complete. The Great Northern Pacific Steamship Company was organized in 1914, and two steamers, each bearing the name of one of the two controlling systems, were put into commission the following spring. By their aid the northern systems carried through business to and from San Francisco. They became independent of the southern lines. On that advanced post Mr. Hill was well content to rest; and, after some encounters in debatable land in Oregon, which showed their mettle, all parties were satisfied to remain, for the time at least, in their occupied positions. So far as the Pacific Northwest is concerned, the plans of Mr. Hill were carried out with that completeness and success that distinguished his enterprises everywhere.

Before turning to the consolidation of the many allied companies into one, completing the quest on which he had entered nearly forty years before, mention must be made of some important services and some difficult problems which, as always, were woven during these years into the continuous fabric of his life. It is little worth while to build a house if you cannot furnish or heat it, or carry on the necessary household routine. He had, with a master mind and a master hand, created a mighty transportation machine. But a machine, in order to do work, must be supplied with motive energy sufficient to its task; and it must not be burdened with a labour exceeding its capacity to perform.

The mechanism of the Great Northern was in itself test proof. But the Great Northern was, after all, an organic part of the railroad system of the whole country. It could not escape the common lot. The entire railroad interest of the United States had begun to stagger under repeated bleedings. Neither political leaders nor the people who follow them usually foresee the complete and logical connection between what they propose and its necessary, especially its indirect, consequences. A wrong grins evilly at them, and they aim a smashing blow at its head. They do not stop to consider whether something behind it may not, when properly safeguarded, be indispensable to them. Almost always the recoil is painful. Sometimes it is disastrous.

The fortunes of what is commonly called the "railroad problem" had passed through this sequence. It began with abuses or arbitrary acts by railroads in the early days of steam transportation. These persisted and bred like rabbits. This led to correction by regulation. Regulation implied and established, through laws and courts, the power to fix rates, impose increased taxes and order at will changes in operation. The taxes paid by the Great Northern were $195,001 in 1882, and twenty-five years later were $2,050,923. Wherever the power to tax is beyond control by the tax payer, it will be abused. Add to it the power to make rates and compel expenditures, and the railroads were delivered

unprotected into the hands of their enemies. The return on capital put into them lost in volume and in security. What was once a preferred investment, because its possibility of future profits balanced its risks, dropped into disfavour. Men with money could do better elsewhere. Then followed, in natural succession, crippling of resources, refusal to make large new investments, and inability of the railroads as a whole to add to facilities or even to maintain service in proportion to the growth of traffic. Like creeping paralysis, this disease had come upon the country unaware. Individual railroad managers realized their own predicament, but it gave them no disposition to go out and hunt for the troubles of others. The public saw trains running as usual, and went joyously on throwing the harpoon. It had considered little or not at all the situation of the country as a whole, and with what sort of future a continuance of past policies would bring not only the railroads but the people face to face. Here Mr. Hill stepped in to hold the mirror up to facts. His mind, unusual in so many ways, was especially remarkable in this—that its analytic and its synthetic powers were equally keen and vigorous. He had grasped the principle of conservation by study of an enormous mass of almost unconsidered details. By the same process he now envisaged the railroad problem as the country's danger.

As usual, he summed up the situation in one pithy sentence: "You can't bore an inch hole with a half-

inch auger." He had been collecting facts, putting them together, tracing their connections, watching the needle of the trade compass. The facts were accessible enough. Helpless armies of them had been enrolled labouriously and scattered through voluminous records of the Interstate Commerce Commission, without anybody's taking the trouble to find out what they meant. Mr. Hill mobilized them and put them on sentry duty. He foresaw a crisis; not for the Great Northern, but for the entire railroad interests of the country, and through that for every man in it down to the poorest day labourer. The political authorities of his own state having long been especially active in railroad baiting, and one bill after another for reduction of rates being pressed at this time, he addressed formally, January 14, 1907, a letter to Governor Johnson, of Minnesota. In print it covers less than eight small pages. But it crystallized thought. It showed, from official federal reports, that in the ten years from 1895 to 1905 the total single track mileage of the country had increased but 21 per cent., locomotives 35 per cent., passenger cars 23 per cent., and freight cars 45 per cent. In the same time the passenger mileage had increased 95 per cent. and the freight ton mileage 118 per cent. These figures talk. They need no comment at all. It was no longer a question of making money, but of transacting the business of the country. "The disparity," said Mr. Hill, "between the growth of

traffic and the additions to the railroad mileage and the extension of terminals shown by a new mileage of less than 1½ per cent. a year since 1904, to take care of a traffic increase averaging 11 per cent. a year for ten years past, presents and explains the real problem." He estimated that an immediate addition of not less than 5 per cent. a year for five years ought to be made to the railroad trackage of the country. If this were not done, part of the business offered would suffer vexatious delays, and part could not be carried at all.

This new work would cost five and a half billions of dollars; a yearly average of one billion one hundred million dollars. More tracks, more terminals, more equipment called for more money. More money could be obtained only if it were permitted to earn the profits usually accruing from other forms of investment. Failing this, transportation must slacken and development gradually cease, because the railroads would be physically unable to perform the services required of them. This thought had been maturing in his mind long before he gave it clear-cut, formal expression. In an address before the Merchants' Club of Chicago, November 10, 1906, he had given an emphatic warning. He said then: "There has not been a question since the Civil War of as much consequence as this." The letter to Governor Johnson became the real starting point of that campaign of publicity and that appeal to the business interests and the sense of fairness of the people

which all the railroads afterward carried on so generally and effectively. It produced no instantaneous change. Appeals to reason seldom do. It did set people to thinking. It recalled and restated the forgotten identity of interest among all the people of every community. The public could maim or ruin the railroads if it wanted to. But on that line it could win only Pyrrhic victories. Prosperity and growth must accept the precept "live and let live." Almost all discussion of the railroad question in the next ten years either adopted the thought set out in this compact and convincing statement by Mr. Hill, or came back to it at last as to a just arbiter.

As part of any complete system of transportation, and in particular as a relief to overtaxed railway lines and terminals, he took a lively interest in the utilization of waterways. The natural division of traffic, followed in Europe, assigning bulky and cheap commodities, where speed is not important, to the river, lake or canal, was self-evident to him. He believed it both waste and discrimination to spend lavishly on so-called improvements intended as a sop to local greed and a penalty on legitimate enterprise. Deep waterways, favouring the economies that lessen transportation cost permanently, he advocated strongly. The commerce of the Great Lakes proved his point. He made several addresses at different congresses in favour of scientific waterway improvement. "The traffic of the country," he said, "needs, whenever

normal conditions prevail, all the assistance that waterways can give." His recommendation was not to discontinue improvements or reduce the sums spent upon them; but to redeem the work from the curse of the "pork barrel," and carry it out along scientific lines. His own recommendations in "Highways of Progress" sum up the whole duty of the Government toward waterway improvement:

"A permanent commission, authorized to expend appropriations in its discretion upon national waterways in the order of their importance.

"A comprehensive plan, including the classification of rivers and canal routes according to relative value, and also including such reservoir and slackwater work as may be required to carry each project to success. This plan in its essentials to be adopted by the commission at the outset and adhered to without interference by Congress or any department.

"Insistence upon the development of trunk lines first, and upon a depth that will make these real carriers of commerce, able to aid the railroads in their task by transporting bulky freight economically and with reasonable expedition.

"A liberal standing appropriation annually for the commission's work until its plan shall have been carried out over the whole country; and a refusal to pledge the nation's credit for a single dollar of this, which is properly *our* work."

In 1907 a financial storm like that of 1903 broke upon the country. Its consequences were the same and it threw similar burdens upon his shoulders. As always in time of money stringency and general distress, pale faces distorted by fear turned first to him. Now that the bolt had fallen, the public came to him to learn what had struck it from the blue. He used this occasion justifiably to read a lecture to those who had maligned his motives and rejected his advice. He spoke his mind freely and, most were willing to admit fairly, in the following interview which appeared in the *New York Herald*: "The whole trouble is that capital has become frightened. There is nothing so timid as money. Look at about one-half the legislation pending in every state. It is all on taxation in different guises. When a man has been successful and accummulated property, there is a disposition to get much, if not most, away from him under forms of law. Investors do not dare to put out their money under such conditions. There is nothing wrong with this country, except what the Indian would call 'ghost dancing.' It is not the wealthiest men that will suffer in consequence of present and threatened disturbances. It is those of moderate means who have been dependent upon their small investments, added perhaps to moderate salaries, to support themselves and families. What is wanted is a spirit of fair play on both sides. When men with money see what all this hostile legislation promises to

result in they say, 'I won't put up my money in such securities.' Capital, is, therefore, driven to its hole."

This certainty that most of the troubles of the time were the fault of the people did not harden his heart or blunt his concern for the many who must suffer. One of the worst effects of the panic was its interference with the western crop movement. Up to this time and, indeed, until, at a later day, Mr. Hill had created the financial independence of the Northwest as he had created its railroad independence, the farmers of that section were largely at the mercy of the banking interests of the East. The products of the farm could not move from the land to the primary market, to the central markets, to the seaboard, across the ocean, and reach the ultimate consumer without a liberal provision for the journey. Money must be furnished to pay for the services of the army of people employed in the different functions of this great economic office. Local cash and credit were unequal to the demand. Millions were drawn from the East for this purpose. If the supply were cut off, the crop movement would stop. A panic in Wall Street might leave the product of a year's labour and privation to rot upon the soil, while distant thousands were starving because it could not reach them. Mr. Hill had always kept as close watch of the crop movement as of the railroad. He had helped many times, and again he put his powerful shoulder to the wheel.

In financial circles everywhere he was now an authority whose voice could not be disregarded. When the panic came, he wired to New York that money must be advanced to move crops. He wrote with satisfaction to one of his eastern representatives: "We have succeeded in getting the banks of the Twin Cities and Duluth to put up two millions against our ten millions of credit, which we agreed to furnish for ninety days at 7 per cent., to be used in moving the crop on the lines of the Northern Pacific and Great Northern roads. This is already making itself felt in the volume of our traffic, and I feel sure that it will keep our wheels rolling so that we will not greatly suffer by the general depression." During the first week of the stringency, when fright froze local sources of supply, he personally advanced some millions of dollars to keep the crops moving at a time when delay would have been disastrous. It is no exaggeration to say that he carried for a time the weight of Northwestern business interests upon his own shoulders, and saved from utter wreck not only many an industry, but millions of people. The danger and need of the farmers and labouring men roused him like a trumpet call. This was not his first service of the kind, but he determined it should be the last. Before the wheel of disaster could bring around another of those periods of depression that appear to recur in irregular and unpredictable cycles, he had constructed in St. Paul with his own hands, and

made strong with a portion of his own fortune, a financial institution which—aided, of course, by the rise and expansion of others inspired by his example—was able to protect the people of the Northwest.

The time was near to which Mr. Hill had looked forward with anticipations of mingled pleasure and regret through many of these later years. In 1907, twenty-five years would have elapsed since he assumed the office of president of the St. Paul, Minneapolis & Manitoba Railroad Company. A quarter of a century packed with such visions and such splendid achievements might well satisfy the most exacting ambition. He had always purposed to relax the bonds of duty and labour, however happily they held him captive, when the fitting time should come. It was practicable to do so now, because he could turn over the headship of this vast product of his brain and hands to the son whom he had trained for fourteen years to take his place. He could step down and not step out. He could be sure that his policies would be adhered to and his purpose fulfilled with a fidelity and determination that accepted the warrant of both duty and affection. He could always be consulted in an emergency. His partial retirement would be the first move in preparing the Great Northern to live on and work on after him, in the ways he had taught it. Of that time and that necessity he often thought and not infrequently spoke. He had not the slightest intention

of withdrawing from active life. He had solaced himself in the burden and heat of the day by many a look forward to years of reading, recreation, travel and spontaneous delight in wandering along some of the many avenues where the human spirit loves to go untrammelled. The time had never come, because he could not will it so. He was the captive of his own unconquerable being. In him the man of action was supreme. But he did believe in setting his house in order. This thought escaped in more than one forecast of the future, made about this time, when he was talking to friends in St. Paul and to the veterans of the road. He reminded them that he could not be with them always; told them that there were hands skilled and safe to which he could commit his work; and added that he proposed to leave it a finished and perfected thing. Its growth has been traced step by step. From East to West, at either buttress, and all along the great span between, his railroad system stood strong and secure. A last hammer blow would weld its still separated portions into one homogeneous whole.

The Great Northern property consisted of many distinct corporations. The most important of these had been agencies indispensable in performing economically, swiftly and silently the work that must of necessity be accomplished piecemeal. That work was done. To promote future growth, to faciliate the final financing of a unified railroad interest through half a century to come,

which was to be Mr. Hill's completing touch, the consolidation of interest already existing in fact must be made formal. The year 1907 saw all these proprietary companies purchased, assimilated and brought under the organization and the name of the Great Northern. It had originally bought the stock of some, guaranteed the bonds of others, advanced cash to still others and taken stock and bonds as collateral. Dependence and support must now be changed into identity. So the brood of the Great Northern was brought back under its wings. The children of the empire that had been built came to acknowledge one name and one citizenship, as they had long known but one household and one allegiance. At the annual meeting of June 30, 1907, Mr. Hill resigned the office of president, to which his son, L. W. Hill was elected, and himself became Chairman of the Board of Directors. He had finished in essentials, in everything but the working out of some still incomplete details, the work which he conceived in his young manhood. He had been its master spirit since the Dutch bondholders, in 1878, assigned to the associates control of the St. Paul & Pacific; virtually its sole ruler for the twenty-five years of his presidency. The record was now made up. A comparison of the principal items of the official annual report of 1882 with that of 1907* gives a bird's eye view of the efforts of a quarter of a century translated into

*See Appendix IX.

figures. It is the most unfavourable that could be made, because 1907 was the worst standard by which to measure progress. Large rate reductions had just been ordered, there had been a hard winter with heavy snowfall to impede traffic and swell expenses, and the country was in the grip of financial alarm and depression. For example, the percentage of gross earnings required for operating was temporarily raised to 59.05. The year before, under normal conditions, it was but 50.42. It had been 50.08 in 1882. Notwithstanding this inequality in the accompanying conditions, the two reports, set side by side, show an interesting uniformity and picture a surpassing deed. Everything had been multiplied by six, seven, eight, nine, ten. Tremendous increase for only twenty-five years. More impressive yet, because they reflect the influence of this growth upon the country, are some later figures of the federal census. The seven states in which the Great Northern operated most largely constitute what Mr. Hill first called "the zone of plenty." In the ten years ending in 1900 they increased their population 50 per cent., as compared with 20.9 per cent. for the United States. In the same period the average value of their farm land rose 188 per cent., and the total value of farm land and buildings 220 per cent.

In this development, stretching back to the days when Minnesota had only a few thousand people and

those of the farther West were not worth enumerating at all, one may say soberly that history will conclude the Great Northern Railroad to have been the main contributing factor, and the creator of the Great Northern its inspiring genius. The world passed judgment upon it in wonder, admiration, and tribute of unstinted praise. In all that was written or spoken in appreciation of Mr. Hill and recognition of his services, there is a note of growing intensity and sincerity through the years.

## CHAPTER THIRTY-FOUR

### THE END OF THE GREAT ADVENTURE

MR. HILL had laid down unostentatiously a title and office which were almost part of himself. He had prepared everything for this step. He meant that there should be for him no wavering or return. But he neither desired nor intended to lessen his interest or to withdraw his counsel from the conduct of the property. The change from the Presidency to the Chairmanship of the Board of Directors meant that he himself need no longer make a daily study of the mass of detail inseparable from the conduct of an enormous system such as this had grown to be. He would always watch the weather gauge and, should grave difficulty and doubt arise, his, while he lived, would be the deciding thought. But he would be relieved of the routine of officialdom. He could give himself more unstintedly to other things. He intended that from this time should date an even larger and fuller response to the public questions that he loved to study and the public needs that he desired to serve. Nothing turned him from that purpose. There were, however, matters little and big that still chained him at times to his old desk as a railroad man. Such of them as fell within the period from

1907 to 1912 will be included in this chapter. Material development would no longer, to any great extent, take the form of spying out new lands and conquering alien territory. The pioneer period was over. Some collisions with other interests in central Oregon were partly the fading echo of an old controversy, partly the building of defences against attack, and partly an occupation of desirable and profitable country. The purchase of the Colorado & Southern, late in 1908, gave to the Great Northern a large additional mileage, with access to tidewater on the Gulf of Mexico. Through passenger service from Chicago to the Pacific Coast over the Great Northern began in May, 1909. Through trains on the Spokane, Portland & Seattle had been run to Portland the year previous. Physically speaking, there was little to be done for the Great Northern except to extend and improve track, equipment, and operation in proportion to the growth of the country. This had now become a task onerous enough to tax ability of the first order.

Through these years also litigation wound its troubling way. Some of it was an aftermath of the Northern Securities agitation; some, the device of leaders who saw political advantage in perpetuating strife, and of followers who either sincerely believed that they were unfairly treated or desired to use to their advantage the power that state control of railroads put into their hands. Few persons outside the Minnesota storm centre realized how trying were the continual and some-

times vicious attacks by local authority. The multitudinous details of legislative and court procedure need not be related here. A bare sketch of what happened will give some notion of the annoyance, and the interference with or burdens upon business, of the various legislative changes in freight rates at this time. No longer before than 1902 the railroad company had reduced rates on all classes of merchandise between stations in Minnesota, North Dakota, and South Dakota an average of 15 per cent. Rates on grain and grain products from the same states to eastern terminals were reduced 10 per cent. Rates on grain and its products, potatoes, onions, and hay from stations in the State of Washington to Puget Sound were reduced 10 per cent. All these concessions were voluntary. Referring to them, Mr. Hill's report for that year said: "It is the policy of the company to reduce freight rates as rapidly as the volume of traffic and earnings will justify." That had been the unbroken theory and practice of his management of the Great Northern. It now found itself brought under the scourge of compulsory sacrifice. The Railroad and Warehouse Commission of Minnesota had made an order, December 14, 1906, reducing rates on the carriage, within Minnesota, of a large number of commodities. A preliminary restraining order against the enforcement of these rates was obtained. While this order was in force the legislature, in April, 1907, passed two acts greatly reducing freight and passenger rates. Coupled

with the reduction was a system of fines and penalties exhibiting the most savage hostility that had yet been shown to the interests of the railroads and, one might almost say, to their very existence. Certain stockholders of the Great Northern brought suit in the United States Circuit Court to obtain an order restraining the company from putting the new commodity rates into effect. This was obtained; but the other rates went into operation, while the questions at issue passed through the usual legal stages up to the Supreme Court of the United States. For the sake of clearness, even at the cost of a slight repetition, a summary of these suits, in which the position of the company and the results finally reached in all of them are briefly and clearly stated, is presented here from the official records of the Great Northern Company:

In these suits the main propositions asserted on behalf of the company were, *first*, that it was entitled to earn a fair return on the value of all property devoted to railroad use; *second*, that the cost of reproduction was the minimum value of its property for rate purposes; *third*, that the value of its property, thus ascertained, was largely in excess of its outstanding stock and bonds; *fourth*, that the Minnesota rates were a necessary interference with the company's interstate rates and, therefore, were unlawful; *fifth*, that the Minnesota rates, when applied to intrastate business alone, did not produce a reasonable return on the value of the company's property situated in Minnesota and apportioned to Minnesota business and, therefore, were unlawful. Upon the completion of the testimony, the Master-in-Chancery filed his report, finding in favour of the company upon each of these several propositions. His report established the value of all the company's property at

$457,121,469, the value of its property in Minnesota at $138,425,291, and held that the Company was entitled to a return of 7 per cent. per annum upon these valuations.

On June 9, 1913, the Supreme Court of the United States decided the so-called "Minnesota Rate Cases." The state of Minnesota had fixed a maximum passenger rate of two cents per mile between local stations, effective May 1, 1907. This was complied with. It prescribed a schedule of maximum freight rates on grain, coal, lumber, live stock, and other commodities, effective June 1, 1907. Charging confiscation and an interference with interstate commerce, certain stockholders of the company, in a suit in the Circuit Court of the United States, obtained a temporary injunction against all these state-made rates. In April, 1911, the Circuit Court, in a decision on the merits, made this injunction permanent. Accordingly, on July 1, 1911, the former higher rates were restored. The decision of the Supreme Court, reversing the Circuit Court, holds that the complainants failed to prove the state-made rates confiscatory or a direct interference with interstate commerce. Therefore, they were put into effect as of July 21, 1913, and the Company must refund the difference between amounts actually collected and amounts which would have been collected under the state-made rates. Refunds cover the period from July 1, 1911, to July 21, 1913, in all cases mentioned excepting commodity rates. These never were put into effect, and, as to them, refunds date from June 1, 1907.

A controversy such as this was no slight matter to Mr. Hill. As he had identified the interests of the railroad with his own when it was a question of profits to be distributed, so had he in the days of the Northern Securities and so did he now, when it was a question of losses and, as he firmly believed, injustice to be borne, consider the two as one. He studied the law and the facts, went over arguments as if his all were at stake,

and resented every infringement of the company's rights as he would an assault upon his own. No one who did not see and hear him during the years when these battles were fought out could realize how intense was their personal effect upon him; not merely as one intrusted with the management of a railroad, not at all as an investor—for he had all that he wanted—but as a trustee for his stockholders, as a claimant for justice, as a citizen and as a man. He felt keenly an attitude inspired to some extent by political virulence. For a time at least he was partially alienated in sympathy from the community where he had lived so long and served so well. In 1906 he had purchased the residence, No. 8 East 65th Street, in New York City. Business drew him there oftener and for longer periods than formerly, and the arrangement served both comfort and convenience. For some time, in fact, he had serious thought of settling in New York permanently. That some of his children resided there was a powerful magnet. Old ties, however, were too strong. These and the pull of home affection, always so controlling with him, held him to the scene of his first triumphs and to the friends of early days whose ranks were thinning now so rapidly. After all that might be said or done, Minnesota and St. Paul had a place in his heart from which things that he resented for a time as ingratitude or injustice could not oust them. After the settlement of these cases, agitation died down. Every

legislative session, of course, bore its crop of anti-railroad projects. But the plight of the railroads of the country could not be denied. The facts that Mr. Hill had stated in 1906 and 1907 had now become threatening forces. Excessive regulation and the flat conflict between state and federal authority, issuing in the absurdity that the latter could order a rate between points in adjoining states less or greater than the sum of the two local rates prescribed by the authorities of those states, had their effect. The local problem was absorbed in the national problem. Mr. Hill had long foreseen that federal regulation finally must reign supreme. This belief, his conviction that government ownership would be the beginning of "the end of this country as a free and democratic government," and his repeated demand for justice and fair play are the essential elements of his public utterances and his almost impassioned faith as a master of transportation during these years of strife.

He came now to his concluding act in the financing of the Great Northern. A wonderfully able and clairvoyant fiscal manager he had been from the day of the first bond issue to cover the cost of the St. Paul & Pacific. The same quality that guarded the cradle of the infant served to sustain and assure the future of its lusty manhood. As he had provided for the physical perfection of his system, as he had built up the completest and most skilled railroad organization in the

country, as he had trained his son to stand at the head of it, so, with that same long look ahead, he arranged that its treasury should not suffer want for half a century to come. He conceived the plan of a first refunding mortgage for the Great Northern, under which a total issue of $600,000,000 of bonds would be authorized. In May, 1911, he made the following statement about it: "The size of the mortgage is explained by the fact that the outstanding obligations of the Company which are to be refunded amount approximately to $330,000,000. Included, however, in the figures last named is the direct and contingent obligation of the Company on Burlington joint 4's maturing in 1921 and aggregating $222,420,000. Covering a future of 50 years, approximately $270,000,000 in bonds, therefore, will be available for general corporate purposes, double tracking, and additional mileage. Since its beginning thirty-two years ago the Great Northern has expended between $350,000,000 and $400,000,000 out of capital and earnings. The provision made for the future, in consideration of the rapidly growing territory which Great Northern lines serve, would seem intelligently conservative. In no other part of the country has nature more generously bestowed those three great sources of all national wealth—the farm, the forest, and the mine—and nowhere else is there more room for such development as follows the occupation of a new country by an intelligent population."

The official ratification by the company of this issue of bonds, which were to bear interest at not to exceed 5 per cent., gives the following schedule and explanation: $45,000,000 to be issued at once; $30,000,000 as called for, both for corporate purposes; $332,162,000 reserved for retiring and refunding old bonds outstanding; $100,000,000 for general purposes, but not more than $8,000,000 for each calendar year beginning January 1, 1911; $92,838,000 for purchase of bonds or capital stock, or voting trust certificates of other companies, when these constitute a majority of the whole or when a majority of the whole has been pledged. All these issues, except that for refunding, were to be employed in the building of other lines or the acquisition of other properties, as from time to time might appear necessary or desirable. Mr. Hill explained the advantage of this massing of credit, which has since been adopted by many other systems, in these words: "It creates a financial clearing house through which its several outstanding securities may be converted into one of standard form and value; and it forms in addition a reservoir of authorized credit so carefully guarded by the conditions of the mortgage that it cannot be abused or dissipated, yet so ample that it will supply all needs for probably fifty years to come. No private estate in this country is more carefully provided against the future than is the property of the Great Northern Railway Company." The policy of using part of the surplus

funds of the company to improve the property had been continued. The report of 1913 mentioned the fact that "there has been invested in the company's property more than $76,000,000 which might have been distributed to the stockholders, of which the public receives the benefit without making any compensation, and on which the company, therefore, receives no return." An increase in capital stock of $21,000,000 in 1912 and another of $19,000,000 in 1914 raised the total capital of the company to $250,000,000. Thus was written under Mr. Hill's guidance the final chapter in the financial history of the company that he organized so modestly in the year 1879.

His overflowing energy, stimulated and drawn upon by his keen concern in everything that touched the general welfare, spread to many subjects. It found congenial occupation in a series of remarkable addresses. For years he had been in demand at conventions and other gatherings where topics of general public interest were to be discussed. His clear thought, his plain and forceful speech, the ring of sincerity in his voice, and that terrific man-power which he put into everything he touched—all carried weight. His addresses on conservation had added a new title to his fame. Everybody wanted to hear him. The highest authorities sought his advice. The most serious causes asked the support of his approval and his name. He selected from the many invitations which reached him daily, those con-

nected with interests which he thought could be served by his knowledge and suggestions, and with occasions where his presence might contribute to practical results. Requests not meeting these requirements, above all those open to suspicion of catering to display, were unconditionally declined. Between 1907 and 1912, in addition to literally hundreds of talks to farmers, and casual public speeches reported in the newspapers, he made twenty-one addresses of such importance and dignity that they were afterward printed by request in pamphlet form. Copies of these were asked for from all parts of the country and from abroad in almost every mail. A supply of them had to be kept on hand to fill the demand. To put all this matter into a form more compact and more accessible to the reader, he consented to condense and connect them in ordered sequence in a single volume. His book, "Highways of Progress," published in 1910, contained the substance of all his printed addresses, along with new matter. In his preface he stated the essence of his thought and purpose: "There is great need of a broader understanding of the relation of one interest to another in the social life of man; of their interdependence as well as their separate values; of the community as an economic whole. The physical sciences have added to knowledge by applying the particular fact to the general law as explanation or corrective, and the general law to the particular fact for purposes of classification and new generalization. By

this same combination of the abstract and the concrete, the general and the particular, they have thrown new light on the material world and its laws within a century. It seems to be time to apply their method to economic facts and changes. The present volume is, within the limits set by its range of subjects, an effort in that direction."

The subjects treated were Agriculture, Commerce, Combination, Irrigation, Conservation, Northwestern Development, Oriental Trade, Waterways, and Railroads. The economic gospel of Mr. Hill was that of the school in which his generation had been born and bred. He was an individualist. He subscribed to the immutable old democratic doctrine of the largest liberty for every man that is consistent with the same right for every other man. He had little faith in legislative panaceas. He believed that the State should not undertake anything that could be carried through by private initiative and effort. He did not permit these views to narrow his horizon. Big things ought, in his opinion, to be done. But this would not necessitate a paternalistic order. He had done a big thing himself. Neither state nor federal government had been called on for help. Compared with the creative and constructive effort of his own life, the handling of problems like forestry or river improvement or any one of the thousand less justifiable undertakings into which the modern state plunges, might seem a fairly simple thing.

He saw national prosperity as the product of universal industry—applied first of all to the land—of thrift, honesty, freedom, and fair dealing among men. Beyond that he found little reason to go. While his life and the acts of public and private beneficence that no man can number showed him generous without stint, while his broad sympathies responded instantly to the touch of human distress, he dissociated the world of feeling from the world of law. He disliked and distrusted projects of reform involving large and continuous expenditures of money that would have to be collected from the present generation by burdensome taxation, or saddled on its children by borrowing. He took the sane middle ground between extremists of the *laissez-faire* school and extremists of the socialistic type. His work was done with sustained literary repression; with the single purpose of making the thought clear and using the right word to hammer it home. The result is lucidity and explicitness. What he wrote he wrote well. His business letters, as scores of extracts printed in these volumes bear witness, even when written under the stress of feeling and *currente calamo*, are marvellously well phrased and to the point. Few men have been able to attract so large an audience. The public, in his case, felt less the common curiosity to see or listen to a great man than a desire to enjoy what he had to say and the way in which he said it. By its economic correctness and finality, by its sub-

stance and texture, "Highways of Progress" has title to place as a source-book to-day. Since Mr. Hill was seldom mistaken about the future, and since his economic principles run down to the bed rock of human nature, physical law and a supreme moral order in the universe, they are not likely to be overturned.

One subject often in his mind and on his lips deserves especial mention. He was an enthusiastic advocate of reciprocity between the United States and Canada. His connection with one by birth and with the other by allegiance, and the management of a railroad system that zigzagged back and forth across the international boundary for some thousands of miles, made any other doctrine unthinkable. Believing in the general theory of free trade, he thought it sheer stupidity to build a wall between these two growing communities of North America. As a plain business proposition, he could not brook the folly of obstructing commercial intercourse with a country not only a neighbour and economically in circumstances like our own, but also one of our best customers. Even when the reciprocity idea was unpopular, he proclaimed it boldly. In 1906 he urged that policy before the Merchants' Club of Chicago. Two years later he pleaded for it, as a step toward free trade between the two countries, before the Chamber of Commerce of the state of New York. He gave the same message in Winnipeg, in 1909, when the Canadian Club entertained him and Lord Strathcona. He re-

peated and enlarged upon it at the Canadian banquet in New York City in 1910. Probably no single cause contributed so much as did his efforts to its final acceptance by the United States and the passage of a reciprocity act during the administration of President Taft. By an ironic turn of events it was Canada that now refused to grace the wedding feast. Mr. Hill never ceased to believe that both countries would come to their senses, and that eventually trade would be as free between Manitoba and Minnesota as between Wisconsin and Michigan. He had a deep consciousness of fraternity between the United States, Canada, and Great Britain. His fealty to the English-speaking strain, wherever found, was vital and unchanging. The Dominion Government gave a banquet, June 13, 1913, to delegates attending the annual convention of the Bankers' Association at Ottawa. Mr. Hill said: "The people of the two countries, close kin by blood, inheritors of a common tradition and charged with a like mission in the world, should not misunderstand each other. There is no proper place for jealousy or hostility between them. Though we live each under his own flag, it is fitting that, in the unknown procession of human events, two countries that now dominate the interests and the progress of this continent should be the leaders of the New World in everything that stands for the prosperity and the peace of mankind." In connection with the celebration of the centenary of

the conclusion of peace between the United States and Great Britain, he said: "Whatever may be the fate of the general movement among the nations in favour of peace, those whose mother tongue is English will never again take up arms against one another." Most cordially was his feeling reciprocated. Canadians could scarcely have been prouder of him if the tie of citizenship had been added to that of birth. Perhaps as striking as any of the tributes paid to him in his native country was that given in 1905 by a man whose judgment certainly was not warped by partiality—Sir Thomas Shaugnessy: "James J. Hill and I may differ in some railroad matters owing to our diverse interests, but I entertain the highest regard for him as a man. He is the genius of the Northwest country, and I am confident that one hundred years from to-night his work will be much better understood in its far-reaching results than it is at present."

Nowhere was he held in higher esteem than on the North Pacific Coast. He was, in a peculiar sense, the founder of the fortunes of the state of Washington. His railroad had transformed the plucky little town of Seattle into a metropolis. His hand had multiplied transcontinental connections in that fortunate land. With the magic wand of a low rate on lumber he had lifted from its low estate what became a lordly industry. On the trade that he opened with the Orient, the Pacific Coast built great hopes. Popular admiration

was universal and genuine. Even anti-railroad agitation could not embitter the kindliness that his name evoked from Bellingham Bay to San Francisco. When the Alaska-Yukon-Pacific Exposition was opened at Seattle, he was selected as the orator of the day. He lifted the occasion to a higher level than the glorification of a country growing rich out of the profusion and possibilities within it. He drew a moral from the display of a world's industry, and stamped upon it and its accessories a high thought. He said: "There are four great words that should be written upon the four cornerstones of every public building in this country with the sacredness of a religious rite. These watchwords of the republic are Equality, Simplicity, Economy, and Justice." From these he would have all men and communities begin anew. The people of Seattle desired a more permanent memorial of the great man of their affection and honour than the ceremony of a day. In February, 1909, Mr. Finn Frolich was commissioned to prepare a bust from which should be made a statue of Mr. Hill, to be cast in bronze. This was to be placed in the Exposition grounds, and afterward removed to the campus of the Washington State University. The bust was unveiled in August of the same year. It rests upon a granite base containing blocks from Japan, Canada, Minnesota, and Washington. These far four corners of the earth unite to form a pedestal of honour. Eminent men of many countries

sent messages of congratulation. Long before this Mr. Hill had become, in the largest and finest sense, a citizen of the world. His fame was international. His services were cosmopolitan. This event was only part of the official confirmation of his title.

In 1910 the academic world set the seal of its approval upon the public judgment and the patent fact. In view of the great achievements of his life, his studies along economic lines and his contributions to social and ethical progress, the annual list of honorary degrees of Yale University that year contained the name of James J. Hill, as one of those on whom that ancient institution conferred the degree of Doctor of Law. Distinction from this seat of learning was naturally gratifying to him. He drew pleasure not from the empty title, which he never used, but from recognition of his work by centres of the highest culture, as well as by farmers and fellow citizens in the Northwest. In announcing the degree, Professor Perrin, of Yale, said: "Mr. Hill is the last of the generations of wilderness conquerers, the men who interpreted the constitution, fixed our foreign relations, framed the Monroe Doctrine, and blazed all the great trails which determined the nation's future. He has always been an original investigator, and we know him now as a man of infinite information. Every item of his colossal success rests upon series of facts ascertained by him before they had been noted by others, and upon the future relations which he saw in

those facts to human needs and national growth. He believes that no society can prosper in which intellectual training is not based upon moral and religious culture. He is a national economist on broad ethical and religious lines; but the greatest things in all his greatness are his belief in the spiritual significance of man and his longing for the perpetuation of American institutions at their highest and best."

His own thought Mr. Hill put into a short but feeling address at the Yale Alumni dinner. He had been introduced in these words: "The next speaker is Yale's youngest son. It is not his first connection with Yale. He has had two sons who took their degrees a number of years ago, and he has had three daughters that married Yale men. It may be said of James J. Hill that two of his family were born with Yale degrees, three of them have achieved Yale degrees, and one, the last and best, has had a Yale degree thrust upon him." This was his response: "Gentlemen of the Alumni of Yale: I think it is most fitting that I should express my gratitude for the honour conferred upon me to-day, and I assure you that I esteem it a very high honour if I have been able to do anything that would stand the test of what Yale has so often stood for. It gives me great pleasure to be able to say in simple words a few of the thoughts that have always helped me in my journey through life. I have never found where a lie would take the place of the truth. In nearly fifty years of

rather active business experience I have never found a transaction that was worth following when it led under the shadows of a deception of any kind. So far I have tried to keep my hands clean, and I hope at my age that I am too old to learn new tricks.

"Education, in the ordinarily accepted sense of the term, we may say, means the trained mind, or the training of the mind. The mind can be trained in the university, or it can be trained in the other school of experience and discipline, in the world. There is no single asset in the possession of a nation of greater value than the trained mind; and in looking over the history of our country I am often struck with the great, overpowering value of the trained mind of Chief Justice John Marshall, who laid the foundation of our government. An incoherent paper, the Constitution, hardly understood, came to him to get an interpretation, not for the present but for the future, of its meaning and how it might be adapted to the future life of the nation. He approached the subject with great learning, and an evenly balanced mind determined to do exact justice. He said: 'That this body can never usurp authority is most true.' These are great words. While the fathers laid the foundations, he built the structure and he made it firm. The court that succeeds him depending on his courage, depending on his great wisdom, the future of this great nation will give him more honour than it does to any other single element in its creation. For behind

the wisdom of the Supreme Court of the United States, free government in this country will make its final stand." Many other institutions delighted to do him honour. The same degree was given to him in 1914 by Macalaster College, of St. Paul. His absence from the city at each of the three preceding Commencements had prevented until then his acceptance of an offered recognition by a home institution. Had he lived until the summer of 1916, Dartmouth, whose invitation to Commencement he had already accepted, would also have made him a Doctor of Laws. In one known instance he refused the offer by a university of a place on its honour list because he had given it large financial assistance. He could not tolerate the possibility of a suspected connection between the two in any small or envious mind. Under this rule, scores of institutions of learning were not eligible to confer the honours they would have been glad and proud to bestow upon him.

He was intensely interested in the subject of monetary reform that filled so large a place in the public mind during these years. He had fought delusion and dishonesty in currency legislation, tooth and nail, all his life. Now that a prospect appeared of some scientific reorganization of the currency and credit system of the United States, he entered the lists with as much vigour and determination as if it were a personal matter. He studied the Aldrich plan thoroughly. He objected to

it because it opened the way to a possible political control. After it had been sidetracked, he prepared by request a tentative but comprehensive plan of his own. It was drawn on sound principles and scientific lines. It divided the country into districts whose central banks should be conducted by men selected by all the banks of the district; but the votes were to be cast not in the ratio of capital stock, but by a system of proportional representation, so that a few large banks could never capture control. One of its best features, which nobody dared to reproduce, was the substitution of reserve notes for the greenbacks; so that this smouldering fire-brand might never again threaten a conflagration when blown upon by the breath of commercial disaster and public illusion. When the federal reserve system in its present form was adopted, though in several important respects he disapproved it, he threw the whole weight of his influence to make it a success. This was characteristic. When he fought, he put every ounce of his strength into the blow. When the fight was over, he did not sulk. He began instantly to make the best of things and to shape, with such instruments as remained, the public conduct to the public good. Exasperated equally, about this time, by the reckless extravagance and display of the big cities and their copyists, and by the persistent wail over high prices, he coined an epigram which passed from mouth to mouth everywhere and brought home un-

welcome truth to unwilling minds: "The trouble with the country just now is not the high cost of living, but the cost of high living."

With the close of the Great Northern's fiscal year, 1912, five years had passed since Mr. Hill transferred its presidency to his son. During those five years, while he was Chairman of the Board of Directors, he had watched every movement and read all the signs of fair weather or foul. The experiment had been successful. The wheels moved smoothly, the property grew and prospered. Now he was ready to withdraw still further. This was part of a policy of self-denial. He was not one of those who can endure idleness, or lay down without a pang the sceptre of their power. His resignation of the chairmanship, the close of his active official participation in the conduct of the company, was an act of renunciation. Like so many of his decisions, it was inspired by a prudent care for the future. Some time, in the nature of things, entire direction of the property must pass on to others. He did not wish the transition to bring with it any shock of unpreparedness. In the letter that he addressed on his retirement to the stockholders of the system, a paper full of deep feeling and a classic of its kind, he stated his reason: "The property whose fortunes I have directed for so many years has become an organic growth. Its future will be shaped more by the forces that govern the development of the natural resources of the country

than by individual initiative. The present is a favourable time for making the change. It seems wise to begin the process of adjustment to other hands at this time, when all the outlook is fair and every change may be weighed with deliberation in the light of what is for the best interest of the property. My natural regret in relaxing the closeness of a relation covering the lifetime of a generation and closely interwoven with my own is relieved by the knowledge that the property remains in competent and able hands, and is so well fortified against possible mischance that its future must be as stable as its past."

With strong, nervous touches he sketched in review the outline of his work for more than thirty years. The dramatic interest of his brief recital does not lack an underlying pathos. "A record of events still near and vivid in my memory will serve as a note of cheer and a word of farewell." The germ of his railway scheme, the purchase of the St. Paul & Pacific, the building and financing of the system, the westward push to the Pacific, the addition of the Burlington, the plan of the Northern Securities, and all the development that had raised an empire from a wilderness, are the milestones by which he marked his passage. Every page records an era. Every paragraph builds a monument. Plainly, as one would relate the incidents of an ordinary journey or the course of a simple business transaction, he recapitulated what had seemed to his contemporaries the

almost miraculous happenings of their time. All men agree that in the world of transportation no mightier spirit ever stormed its way across a continent or caught and held the attention of a world. To his finished labour he had put the final touch. "The Great Northern is now wrought so firmly into the economic as well as the corporate body of the land as to have fitted itself permanently into the natural frame of things. So far as any creation of human effort can be made, it will be proof against the attacks of time."

He had no thought of what is usually called "retiring from business." He did not intend to withdraw himself wholly from the Great Northern. He could not have done so had he wished. "Not lightly," he said, "may the relation between a man and the work in which he has had a vital part be set aside." Nor was it to be so. To the last moment of his life he retained all his interest, and felt all the old affection for this child of his heart and brain and hands. Such respite as this change might bring to him was to be devoted to other and different purposes, already present to his mind. What he did and what he planned in the next four years forecast the varied, busy, happy, useful life he saw stretching before him. Yet this parting from the past, though his hand still felt the touch of its fleeing garment, though his eye saw other light ahead, could not take place without a wrench. This letter is a farewell to more things than one. Mr. Hill had always lived intensely; but

lived in the present and the future. Now, with a backward look he said, making use of a phrase that will always cling close to the story of the man: "Most men who have really lived have had, in some shape, their great adventure. This railway is mine." How near he was to that other going forth, what the poet in anticipation called "my adventure strange and new," no one dreamed. It seems almost as if some subtle premonition had unconsciously charged his words with deeper meaning. But, whatever lay before, it was at the end of a more wonderful career, more sturdy battles and more glorious victories than it has been given to many men to know, that he now lowered the shield and hung the sword upon the wall.

## CHAPTER THIRTY-FIVE

### LIFE'S CLOSE

MR. HILL'S formal retirement from official connection with the railway company, like his resignation of its presidency five years before, was a signal for larger and livelier interest in other fields. When one considers the scope and volume of the contributions that he had already made to public questions, and the direction he had given to public movements, this seems hardly possible. Nevertheless, it is true. The last four years of his life were abundantly fruitful. His mind and his interest went on expanding until his latest breath. They moved in steady progression through the world of service. The plans that he carried out and those that he was maturing between 1912 and 1916 express this broadening of sympathy, deepening of understanding, and untiring generosity of purpose. At the age of seventy-five he was a more dominant figure in the world than ever before. What he did and what he planned in the short period that remained before the wheel was broken at the cistern would entitle him to grateful remembrance by his fellow men. The affection which he had always felt for St. Paul, the scene of so many struggles and triumphs, blurred though it had been for a little

time by misunderstanding of his railroad policies, regained its force. That city was to be either directly or indirectly a beneficiary of many generous and far-sighted plans. Three or four conceptions, wholly or partly consummated in this short period—the gift of a reference library, the building up of great financial institutions, the construction of an immense modern office building as headquarters for these and for the railroad systems with which he was allied, and his share in securing a new packing plant at South St. Paul which would make this the central stock market for the whole Northwest—are an earnest of what he meant to do.

The first of these was the fulfilment of an idea long germinating in his mind. His interest in books and libraries had grown with his growth. He knew their value as a factor in the carrying on of his educational work. It will be remembered that, in 1893, he had proposed to do away with a public celebration of the completion of his transcontinental line, and turn over the money raised for that purpose, with a gift of double the amount from himself, for the building of a public library in St. Paul. In the years that followed, especially while he was preparing and publishing economic studies on a variety of subjects, his recognition of this public need became more specialized. Books in collections for general use, when he was a young man, were mostly serious, and selected for instruction rather than amusement. He had seen all public libraries popularized, in the modern

sense of that word. He did not deny that the flood of juvenile, romantic, and other ephemeral publications might serve some worthy ends; but he made up his mind to construct a treasury of a different order. He had learned by personal disappointments the comparative poverty of resources of the reference departments of most public libraries. Again and again he had sought for historic relations, original authorities, and works whose value time could not impair, and had been obliged to resort to the great book collections of other cities. Not even there could he always unearth the rare and costly source books that he needed. He felt that in the average public library the average reader is well taken care of. The advanced student, the original thinker, the man engaged in investigation and research, the serious author, were relatively unprovided with proper tools. He could carry out his old idea with satisfaction to himself and benefit to the public by remedying this deficiency. He decided to endow St. Paul with a public reference library of a unique or, at least in this country, an unusual kind.

March 5, 1912, Mr. Hill announced his intention to erect and maintain a public reference library on property bounded by Third, Fourth, and Market streets in St. Paul. The site had been designated twenty years before by a library board, many of whom were Mr. Hill's friends and associates, as the most eligible in the city for library purposes. The block of which it is a part faces on one

side a public park, and on the other overlooks the valley of the Mississippi and the bluffs beyond. His proposition spurred on the city library board and other authorities to buy the remainder of it, complete their plans, and coordinate them with his own. It was most fortunate that a beginning was made at this time; for on April 27, 1915, the old library building and its contents, including the reference department, were destroyed by fire. He said that he was prepared to put three quarters of a million dollars into the project, and possibly more if necessary. The building for his collection and that for the city library constitute one architectural whole. Built of Tennessee marble, on lines of severe and classic beauty, it satisfies the aesthetic sense. A solid wall in the interior makes the Hill Reference Library a distinct institution. In both portions Mr. Electus D. Litchfield, a son of his old friend, W. B. Litchfield, and an architect of reputation, displayed high professional ability and a pure and accurate taste. The Hill Reference Library interior is Roman in architectural style, with the spirit of the Italian Renaissance. Great fluted pillars stretch in superimposed colonnades from end to end of the building and rise, separated only by a plain entablature from those above them, to the roof. Pillars and interior wall surfaces are of Kettle River sandstone, whose permanent tint is that of some old marble temple warmed by the sunset glow. With a tempered light falling from the

skylight and the great window at the end, the effect is that of a bit of classic architecture transported on the magic carpet of the imagination to newest America. There are separate study rooms for patrons. Mr. Hill did not expect or desire that the building should become a common resort or the collection be used in a general reading room. With the definite idea of providing for the mature and original mind and the scholarly taste, he had lists of books prepared for his future collection. He excluded law and medicine as already provided for in professional libraries. He banished juvenile books and fiction, except so far as the latter might be illustrative of permanent literature and literary history. He directed the enrolment of every work in other departments that had contributed something material and enduring to human thought, human knowledge, or human progress, and the exclusion of everything else. All fields of learning were to be represented by their greatest thinkers and discoverers. He especially desired that philosophy and religion at one end of the scale, and modern scientific accomplishment at the other, should be fully represented. He displayed, in accepting or rejecting titles, extraordinary familiarity with past and present literature. He intended that this collection should always be kept relatively small. Books that deteriorated in value because they were impaired or superseded by the progress of thought, discovery, or invention were to be weeded out. This library was des-

tined for the *élite* among books. The working out of the plan in its entirety was one of the delights of his last years. Man could not leave a statelier monument than this exquisite building, the embodiment of a high and noble thought, which will recall him daily through all the years to come to the people of St. Paul, and to the pilgrims of learning who come there to refresh their enthusiasm and establish their faith.

The library building would distinguish St. Paul as a centre of learning and art. To the year 1912 belongs an event that would distinguish it equally as a business centre. Mr. Hill now proceeded to put into execution his matured plan for building there a great banking institution which should assure the permanent financial independence of the country in which he was so greatly interested. This story has dwelt several times upon the feudal dependence of the Northwest upon eastern sources of capital and credit. When crops had to be moved, when new interests or expansions of old ones were to be financed, money must be obtained and paper discounted in New York. In periods of depression, Mr. Hill frequently had to employ his personal influence and come forward with his personal fortune, to avert disaster. In his later years the situation had become especially irksome. The Northwest had outgrown swaddling clothes. It had to rely more than ever on its own banks. It re-

ceived little help from the Government, whose surplus funds were placed there only in driblets. Mr. Hill decided to make it sufficient unto itself. The conduct of his railroad enterprises through nearly thirty years had familiarized him with every department of finance. He knew all its intricacies and understood its opportunities. Exactly as he built his railroads to develop territory and help the people, as well as to make profits for his fellow stockholders and himself, so he now set about erecting a financial institution in St. Paul that would employ profitably a part of his great fortune, help and be helped by his railroad interests, and emancipate the Northwest from a subservience which was at all times costly, and had threatened more than once to be ruinous.

He had ample personal experience in banking. He had been a director of the First National of New York, and of the Chase National, for many years. His counsel and its connection with his business interests had done much to build the latter up from a small institution to its high estate. He was also a director of the First National of Chicago, and of the Illinois Trust and Savings Company. He had been a shareholder of the First National of St. Paul since January 21, 1880, and a director since May 12 of the same year. One who looks back over his correspondence and remembers his flatly stated position, that a man had no business on a directorate unless he actually directed, and his

refusal to admit men to the board of the Great Northern who would not familiarize themselves with its affairs, can understand that his connection with these financial institutions, which he had severed only when and where it was necessary in order to comply with the legal prohibition of interlocking directorates, had made him almost as familiar with banking as with railroading. Also, to a man who had financed the Dutch bond purchase, the St. Paul, Minneapolis & Manitoba, and the Great Northern, through all their changes of fortune and all the squalls of tempestuous times, the conduct of any bank could not seem a difficult undertaking. He had, as stated, been a director of the First National of St. Paul for thirty-two years; since the year after he organized his railroad company. He had at one time accepted a position as director of the Merchants' National Bank of that city, to help reorganize and build it up. By this time both the general theory and practice of banking and the financial conditions and requirements of the Northwest were familiar to him. He had them at his finger's ends when, in 1912, he made up his mind to do what he could to underwrite the financing of the Northwest.

He felt that the starting point of this enterprise should be a banking institution in St. Paul. The weight of his personal position and influence, and the business he could throw to it, would assure success in advance. The practical question was whether he

should create one, or acquire one already existing and shape it to his own ideas. Naturally, as a good business man, he would prefer the latter; and equally of course his first choice would be the First National. This was the oldest National Bank in Minnesota. It was founded by James Edgar Thompson, nearly fifty years before, December 5, 1863. Except for the first seventeen years of its life, Mr. Hill had been closely connected with it. Mr. Henry P. Upham, who became its president in 1880, had been his friend and was associated with him in gathering in some of the scattered bonds of the St. Paul & Pacific. To Mr. Hill the First National of St. Paul meant more than any other bank ever could. It had maintained its standing and traditions; and its president, Mr. E. H. Bailey, was only the fourth man who had held that office. But its stockholders were not inclined to make terms satisfactory to Mr. Hill. Preferring to begin with some institution having already "a local habitation and a name," he turned to the Second National of St. Paul. This also was an old institution. Established in 1864, it had been in continuous operation for forty-eight years. Its capital, surplus, and undivided profits were $900,000 and its deposits $3,500,000. Its president at the time, Mr. William B. Dean, was one of Mr. Hill's oldest friends. Born in the same year, sharing with him the recollections of early days in St. Paul, for many years a director of the Great Northern Railway Com-

pany, and possessing Mr. Hill's esteem and confidence, he entered readily into the plan. The stock was bought by Mr. Hill personally for $1,240,000, and formal transfer to him was made October 10. Meantime, negotiations with the directors of the First National had been reopened. A large proportion of its stock was held by heirs of estates who took little part in its management. They soon came to the conclusion that, with Mr. Hill at the head of a competing institution, they would prefer to sell. The terms offered by the purchaser were liberal; and every share of the First National was secured and delivered to Mr. Hill for a total of $3,350,000. This transaction was completed December 31, 1912, at which time he found himself possessed of the foundation that he desired for a financial institution as big as the Northwest and as energetic and enterprising as himself. The two banks were merged into one under the name of the First National Bank of St. Paul, January 1, 1913. Its capital stock afterward became $3,000,000, with a $2,000,000 surplus.

From this date began that expansion of activity and growth of resources which might be expected under the changed conditions. It is an interesting coincidence that the First National of New York, in 1893, had something more than $17,000,000 of deposits, and that the First National of St. Paul had almost exactly the same amount at the time it was purchased. In 1916 the deposits of the New York bank had been multiplied by

ten, representing the growth of twenty-three years. In 1916, or three years after Mr. Hill took charge of the new First National of St. Paul, its deposits had grown, in round numbers, from $17,000,000 to $55,000,000. About the same time Mr. Hill bought for $500,000 the Northwestern Trust Company, which operated in harmony with the bank. After he had made his purchase and owned the stock personally, he qualified its directors by selling back to them stock at what it had cost him. Later on, the capital stock was increased to $1,000,000 and they received the benefits of its prosperity. He carried through his plan of remodelling his group of financial institutions in St. Paul according to his own ideas and the best methods worked out elsewhere. He put unassailable resources behind them. The deposit figures already given show abundant confidence on the part of the public. Money rolled in. Liberal and enlightened loaning policies were adopted.

For years Mr. Hill had been urging bankers to take a greater interest in farm credits and the encouragement of good agriculture. In 1909 he had pointed out to the American Bankers' Association the intimate connection between the farming industry and the banking business, and showed how they can and ought to help each other. He acted on his own advice. Loans on live stock had been placed in large amounts by the bank at the South St. Paul stockyards, and

Mr. Hill acquired control of this also. Chiefly by his influence the Armour Company decided to build a plant at South St. Paul and make it one of the principal cattle markets of the country. No one can study his work to encourage stock growing in the Northwest, his banking enterprise, and their commercial interrelation, without admiration for the mind, as scientific as practical, which conceived and carried out plans so happily coördinated, though apparently so dissimilar. All kinds of industry in the Northwest felt the stimulus. The bank stockholders were as well satisfied with returns as the stockholders of every concern managed by Mr. Hill always had been. But the public benefited as largely. Farmers, millers and stockmen could be accommodated now at home, instead of having their requests approved and sent east for acceptance. In the year before the bank was bought, the loans on grain and cattle were a million and a half. In 1915 they had risen to fifteen millions. This influence was felt clear through to the coast. Within a year and a half the European war broke out and the local banks in the Northwest, out to the Pacific, could no longer extend credit. The First National of St. Paul stood behind these institutions and, as one result only, the price of wheat in the state of Washington almost doubled. Mr. Hill associated his son, L. W. Hill, with him closely in the conduct of the bank and the trust company. Within the little over three years

that the father lived after his idea was realized, he saw his utmost anticipations exceeded. The carrying out of the plan was a part of the inheritance of the son.

Mr. Hill had for a long time considered the erection of an office building which would be a suitable home for the companies in which he was interested largely and directly. The quarters occupied by the Great Northern, the Northern Pacific, the Bank, and the Trust Company were all outgrown. The financial institutions, in particular, must have greatly enlarged facilities. The railroad headquarters were to be fixed now at St. Paul for all time to come. The Great Northern Office Building Company was incorporated in 1914. Property covering more than half a block and bounded by Fourth, Fifth, and Jackson Streets, was secured, and on it was erected a massive office building of the finest modern type. It is fourteen stories high and cost $4,000,000. Its outside dimensions are 232 by 290 feet, with a court 110 by 140 feet. Its cubical contents are more than ten million cubic feet and it has a floor area of 760,000 square feet. It is as substantial and as free from ornamental excrescences as was every construction when Mr. Hill had got through with the plans. But it is provided with every convenience for work and every safeguard for life and health. There are more magnificent business buildings in other cities, but none that better please the educated taste and none more completely adapted, to its purposes. Al-

though work on this immense structure was begun June 6, 1914, the first Great Northern office was occupied November 1, 1915. The Bank and Trust Company opened quarters there in the same month, and early in 1916 the entire building was completed. Mr. Hill had watched with perennial interest its daily progress. There was not a detail of plan or construction with which he was not familiar. Many of them were of his own origination or suggestion.

Honours and recognition continued to flow in. The management of the Panama-Pacific Exposition at San Francisco desired each state to name its greatest living citizen for a Hall of Fame. A committee of five was appointed by Governor Hammond to designate Minnesota's representative, and this body unanimously selected Mr. Hill. An event that gave him sincere and lasting pleasure was the establishment, without his previous knowledge, of the James J. Hill Professorship of Transportation at the School of Business Administration at Harvard University. Seventy-four of his friends and admirers, including men of all professions and occupations, and representing every section of the country, contributed a fund of $125,000 for its endowment. This memorial in honour of the man and his work at one of the greatest institutions of learning, this gratuitous testimony to the esteem and admiration of all sorts and conditions of men, stirred his deepest appreciation. After the fund had been turned over

he added $125,000 as his personal contribution, thus doubling the efficiency of the department. He also gave personal study to the best method of making the instruction given there a part of practical railroad education. His advice and suggestions were no inconsiderable addition to the strong financial foundation. At the Commencement exercises of 1915, President Lowell said: "The chair marks an epoch in the life of the School and, by its recognition of transportation as a permanent object of systematic instruction, in the life of the nation also. It is eminently fitting that such a professorship should bear the name of Mr. Hill, who has applied scientific principles to the construction and operation of railroads to an extent and with an accuracy unknown before." Mr. Howard Elliott, for the Overseers, said in the Harvard Graduates' Magazine: "Monuments are erected to many worthy men after death. In this case it is a gratification to Mr. Hill's many friends that during his lifetime this tribute has been paid to him, and that for years to come the name of the foremost railroad constructor and operator in the United States will be linked with the leading university of the country in a work of this very great national importance."

No public event of his long life stirred him more deeply or held him by an intenser continuing interest than the outbreak and changing fortunes of the European war. There could be no question where his sym-

pathies would lie. Approving the original position of the United States as a neutral, he was personally, heart and soul, with the cause of the Allies. His Canadian antecedents and his long and close association with many of the men foremost in the life and government of Great Britain would, of themselves, have assured this. In addition, he was wrought, as were all Americans to a white heat of indignation by the sinking of the *Lusitania* and the campaign of "frightfulness." He had a warm place in his heart for Belgium, its people and its rulers. He had often cited its industry and economic thrift in supporting a dense population, as a model to which larger and prouder states should conform. King Albert was his personal friend. He had been entertained at Mr. Hill's home in St. Paul before he came to the throne, and taken as guest over the railroad. Once, later, when congratulated on his affability toward his subjects, he said, laughingly, that he had learned this from Mr. Hill when, out on the Great Northern, he had seen the president of the company shaking hands and exchanging a pleasant word with his employees. The invasion of Belgium outraged Mr. Hill's reverence for national honour and roused his bitter wrath as a humane and kindly man. He made several large contributions to the funds collected in this country for the relief of the Belgians.

He studied intently every issue growing out of the war that might affect the fortunes of the United States.

He never showed more creative imagination or more cogent reasoning than when he discussed the probabilities of an unprecedented situation on either side of the Atlantic. He opposed a federal merchant marine, in the early stage of the war, on the ground that it would inevitably drive private enterprise out of the shipping business. On the other hand, he urged government insurance of shipping as the only policy that could meet the emergency, keep our flag upon the seas, and assure the carriage of our products destined for European markets. His greatest service in this connection, however, was the probably decisive effect of his approval of the first Anglo-French loan. So quickly do events succeed and efface each other when war is raging that people forget the doubt with which, in those first days, a new and startling proposition like this was received. Judgment in war times is almost always unbalanced. Few people can think quickly and also think straight. The proposal that this country should furnish from half a billion to a billion of cash or credit to two of the Allies brought every bizarre argument out of its hole. After time for reflection, it is amusing now to read them. The gravest censors permitted their minds to wander. On the whole, the rapid-fire opinion of the public and of a large segment of the bankers was against the plan. It was said that to make such a loan to one side would be a tacit violation of neutrality; that it would engage us in the war; that it would "take money out of the country";

that it was inspired by American manufacturers of munitions and would inure only to their benefit.

From the first instant Mr. Hill's thought rang positive and true. As always, his mind went straight to the mark. He did not concern himself with trifles or accessories, but looked at home interests and logical effects. He expressed his opinions promptly and went to New York, by request, to support this proposition with his clear ideas and decisive influence. He spoke there as simply and convincingly as he was wont to do before the Northwestern farmers. He said that England and France did not need to get this money and credit half so much as the United States needed to give it to them. Look at our own situation if we refused! We were producing food stuffs and manufactured articles, crude oil and cotton, that we must sell outside of this country. If we could not sell them, our own producers would be ruined. We could not sell them without a buyer. The financial necessities of the only countries that could take these commodities off our hands—because they alone had control of the ocean—and the growing demoralization of exchange, made it impossible for them to buy unless they could draw against cash or credit on this side.

It was as plain as a pikestaff to Mr. Hill that we should have had to offer such a loan, for our own salvation, if it had not been asked for. He pointed out that no money would go out of this country. It would stay;

so that drafts in payment for supplies furnished could be made against it. He insisted that the loan should not cover purchases of munitions, but only of other products. He summed up his opinion in these few convincing lines: "Only superficially is this method for the advantage of any other nation. Primarily and with much more force it applies to the maintenance of our own commerce, to the support of our own industry, to the prevention of disaster to our agriculture, to the assurance of prosperity in the United States. It is far less a favour to others than a necessity for ourselves. It means more to us just now than armies or navies or anything else. It is a measure of financial and industrial preservation. So it should appeal more powerfully to the general public, which is the real party in interest, than it has to the men who have given it their sanction already."

As soon as he had spoken, mental fog was swept away and everybody realized how true and inevitable was his conclusion. If he had not spoken, however, if he had not been there to speak, the probability is that this country would have injured permanently its own interests by wavering and hesitation, if it had not destroyed them by refusal. The representatives of Great Britain and France appreciated at its value the influence of Mr. Hill in furthering this momentous transaction. It is frankly and feelingly avowed in the following extract from a letter written to him in

October, 1915, by a member of the Anglo-French Financial Commission: "I have just been signing the contract for the Anglo-French loan and in doing so my thoughts have naturally turned direct to yourself, and I have felt very keenly how large a share of the credit for the success of our mission here is owing from my colleagues and myself to you. We owe very much to the untiring energy with which you threw yourself into the task of preparing the way and of educating public sentiment for the reception of the loan. I can say for myself that your powerful aid has been of the greatest assistance to us as representatives of the British and French governments. Your insistence upon the truth that the credit which was asked for was essential in the interests of American commerce and industry was an all-important factor in securing a favourable hearing for the loan proposal of the British and French governments." Mr. Hill's three titles to preëminence are drawn from three principalities: the railroad, the farm, finance. To an analysis of his work in each of the first two a separate chapter will be devoted. He was equally great as a financier. But this form of his genius manifested itself in so many diverse ways that its appreciation has been incorporated and its processes and results recorded in connection with the succession of events that began on the Mississippi levee and ended in the councils of the world.

From the first, he followed every development of the

war, on the battlefield and in the counting room, like one whose own fortune and country are at stake. He read every line of news about it. He stopped to glance at every bulletin. He would open the big atlas in his office, trace the day's operations with the point of his pencil, locate the spot in Asia Minor which the Russians had reached and the probable next stage of their advance, argue the possibility of a circuit by land from Gallipoli to Constantinople as a quick means of forcing the Dardanelles. His hopes and fears fluctuated daily with the advancing or retreating waves of the conflict. He read the black-bordered letters that came to him in increasing numbers from old friends in England with a sympathy in which the personal element was heightened by a feeling of unity in the blood, and a hope and determination that democracy and civilization should prevail. The cause of the Allies had no more devoted advocate. Here, however, as in considering the war loan, as in everything, his first thought and his final thought were for his own country.

Mr. Hill had never been more keenly alive, not only to all that concerned his immediate plans for the future but to all the portentous, untried events looming through the dissolution of the Old World that he knew and loved, than in the early months of 1916. So much of his great work was finished. So much was yet to do. As the country had turned to him for a clear knowledge of what it ought to do about the foreign loan, so it turned again

for some forewarning of conditions that must prevail when the wrath of heaven should cease, and humankind return once more to happier ways. He had his answer ready. To the many calls made upon him he responded with all the expected definiteness, precision, and exact adaptation of practical means to ends. He staked out like an economic engineer the right route for the nation. It was the same kind of service, though immeasurably greater, as when he mapped the location of a new railroad line by combining his photographic memory of every hill and watercourse and coulée with his mental vision of the kind and amount and direction of traffic created by millions of people yet to be. He showed what course this country ought to follow, and what fate hung upon its wisdom or its folly when the tumult and the shouting should have ceased. The last article by him printed in pamphlet form was entitled "Preparedness for Peace." This is its main conclusion: "The question of economic preparedness is, then, for us, mainly a question of capital and labour. The first and greatest need of this country in the coming era is pay rolls; pay-rolls for all those at work; for those whose occupation will be interrupted, and for those others who will come again into active competition with the men who lay down the rifle to go back to the factory, the mine, and the farm. If the black shadow which the war has cast upon the future generations of Europe is not to darken our national life also, we must be prepared to meet

these new conditions not with political oratory, but with the economic weapons by which alone they can be mastered." Not by any legerdemain at Washington, not by protective tariffs or anti-dumping laws or any other hocus-pocus did he believe that we could save ourselves and keep our leadership in a remade, unpredictable world.

As it was in the beginning, so in the end it must be the plebeian virtues of industry, thrift, integrity, and enterprise that should bring us to our goal. No eye in all the world watched more keenly or with more anxious care the progress of this terrible epoch in the world's history, or pierced farther into the thick darkness that shrouded it. In letters, conversations, and printed articles he traced the path to greatness, with honour, for the country he loved so sincerely. He believed in national prosperity only when it was linked, both as antecedent and as consequent, with the success of the democratic experiment. Fifty-five years before, an unhappy chance of fate had forbidden him to bear arms that the republic might realize the hopes of its founders and bring blessing to the world. Now, in age still green with the sap of life, and ripe and wise with thought and experience, he drew a chart for battles, policies, worthy world conquests of peace, in the long future to which mysterious forces urge the nations swinging in their orbits toward some heavenly goal. Inspiration came to him as freely; thought was as fresh and true as half a

century before. All his resources of knowledge, of power, of influence, were at the disposal of his country.

Over this ardent, vivid life of body, intellect, spirit, and will, suddenly a black pinion drooped. His last word to the people in their hour of wonder and doubt, of hope and tremor, reached their eyes upon the printed page only after the pen had fallen from his hand and his voice had been for ever stilled. An end sad, indeed, for those who loved him, but one such as he himself would have chosen. A fighter he had lived and fighting died, faithful to his light as a soldier and leader for the common good.

He had always been the master of his body, just as he was the "master of his fate and captain of his soul." It had served him faithfully. He had used it unsparingly. His wonderful physique had been proof for a lifetime against drains upon it, answered demands that would have emptied of vitality a weaker organism. But none can escape the slow sapping of the years. This insensible decline he could not translate into terms of the prudent self-protection which most men begin to adopt when they are fifteen or twenty years younger than he was now. All who knew him felt that for many years more his splendid natural forces would stand ordinary strain. But he would not spare himself. He had never learned the lesson, conned by weaker men through necessity and periods of invalidism, of conserving the body and taking care in time. There

had been warning symptoms for a year or more. A recurring derangement of the digestive system, not dangerous in itself but bespeaking a deeper underlying cause, planted anxiety in the hearts of those closest to him. Yet even they feared no sudden collapse. He himself scouted the idea that anything serious was the matter. So, the moment that temporary relief was given, he plunged again into the thick of things. After all, he was true to himself here also. In a man who should have let drop the reins of the present and the future in order that he might take care for the morrow of his own body, no one would have recognized the James J. Hill of history. He would not and could not do it. The poison crept on and on. When it had gained the citadel, the stroke was sudden and sure. Ten days before his death he was at his office, and those about him saw little change in his appearance and none in his interest in affairs. Then it seemed wisest even to him to take a few days for rest and recuperation from an attack of more than common persistence. In a week's time his whole system had been invaded and the end was close. No remedy revealed by the medical knowledge and skill of the age was left untried, and none availed. Soon he himself was sure that life for him was over.

He met this last and greatest adventure that can rise to daunt the soul in the same spirit that he had brought to every lesser crisis of his life. No power had waned,

no faculty was wanting or even dimmed by the tarnishing breath of years. Serenely he made ready for what had to be. His main work was done. Could he have had another lifetime at his disposal, there would still have been many great plans unrealized, many mighty works unfinished. But his deepest and tenderest thought now was for those he would leave behind. Except for them, their sorrow and their loneliness, the passage from time to eternity seemed to him wholly natural and little to be deplored. So, not with stoic resignation, and yet without a trace of shrinking or of fear, he passed to the ultimate test of manhood and the hour of sovereignty of the soul. He had lived, in his own inner shrine, in spiritual humility. He had sought, along with the outer ends for which all men strive, the benefit of his kind. He had given with generous hands—in his establishment of the seminary for education to the Roman Catholic priesthood in St. Paul, in his maintenance for years of institutions controlled by other denominations, in order that the youth of the land might unfold under religious influences, and in unending charities to the needy—an all-convincing proof of spiritual catholicity. Without formal acceptance of the vows or obligations of any religious body, the meditations that he sometimes, though rarely, shared with those in his most intimate confidence, the works of a lifetime, the ideals which he laboured always to set up and establish in power over men and nations, made him partaker of the life that

"is not far from any one of us." He died on the morning of May 29, 1916. Expressions of sorrow, tributes of admiration and of praise, such recognition as none but a kingly spirit and a life of service could command, came from high and low, and from many lands. One unbroken voice of national admiration and regret spoke through the public press. No words more eloquently simple and just were written about him than these, from an editorial in the New York *Times:* "Greatness became him, and was a condition of his errand here. Whatever he had done, it had been greatly done. He trusted democracy perhaps more than it trusts itself. He believed in its economic destiny. Giving much, he received much. We salute the memory of a great American." Two days later Rev. Thomas Gibbons, Vicar General of the Catholic Diocese of St. Paul, spoke above him the last solemn service of the Church. His body was laid at rest on a beautiful knoll at his North Oaks home, overlooking the lake and an exquisite sweep of landscape; a spot that he had greatly loved. Beautiful, simple, close to all that was dearest, having its own unique and expressive quality, uniting, by the gentle movement of leaves and waters, the soft incline of kindly skies and the silence of immobile shores, the benison of earth to that of heaven, it is a fitting sepulchre.

## CHAPTER THIRTY-SIX

### THE MASTER-KEY

THE most obvious and impressive portion of Mr. Hill's work, of course, is his unique contribution to the history of transportation. Remarkable in many other ways as were the contacts of his life with the world about him, and their consequences, his were the master-mind and the master-hand in railroad construction and operation. Even a master-hand, however, can open no locked doors unless it holds a master-key. He found this in knowledge of the facts and laws of commerce, with which his mind was fairly saturated. His originality and versatility as a creator and curator of traffic have illuminated every stage of the progress described in preceding chapters. The man in action was more intelligible and infinitely more self-revealing than the man on paper could ever be. He himself never drew up any formal bill of rights or schedule of principles for a science and art of railroading. His nearest approach to it was the two chapters on this subject included in "Highways of Progress." But he did start out from and return to certain fundamental ideas about it which he changed little and never abandoned. The interpretation of the man by his own strenuous life, which these volumes

contain, should be supplemented by an interpretation a little different—more scientific and more systematically developed—of his work as the foremost railroad builder and manager of any era since first the railway was devised for the service of man. What was his master-key?

"Transportation seeks the line of least resistance." So nature speaks through every watercourse. From this original proposition, in Mr. Hill's own words, may be drawn, with almost mathematical exactness, his entire theory of railroading. It lies folded in that storehouse of meaning, the words "least resistance." From them he deduced the main laws of traffic. First let the rule be applied to construction. If he or any other wished to build a railroad, it ought to conform to nature's own physique. Granted "that there were commodities to carry or natural resources which guaranteed a future supply of commodities to carry," the first problem is topographic. He said: "The grade of a railroad is of as much importance, bearing in mind the traffic, as is the depth of water in a navigable harbour or channel, because the grade fixes the load; and many roads that were built at an early day, without keeping in mind the load that they could carry on an economic basis, have had to be rebuilt. Some of them have been rebuilt two and three times. Take the Pennsylvania road between Pittsburgh and Philadelphia; portions of it to-day are on the fourth right of way. The Lake

Shore road originally had considerable one per cent. grades. It was cut down to six tenths, and afterward rebuilt a second time and the grade reduced to three tenths, except in one or two places." This is the material aspect of the line of least resistance. Build where nature beckons with a valley, a prairie, or a mountain fissure cleft by some geological convulsion. Most railroad builders saw that far. The makers of the Santa Fe and Oregon trails, every Indian chief whose ponies dragged after him his tepee on its slanted poles, knew that. But the mere physical line of least resistance implies much more.

In this second sense, others were relatively slow to follow Mr. Hill, because they sought the lowest first cost in building. After the selection of a route along the line of least resistance, so far as is practicable, comes a method of construction obedient to the same law. He was not only the first to build a transcontinental system conforming to it, but the first in this country to adopt it as a general engineering practice. It demands low grades and abhors sharp curves. It involves expenditure greater than builders in new country are usually either able or willing to incur. They are in a hurry to get through and to begin earning money. With these earnings they can build more or better. But Mr. Hill's railroad calculations were always made as if he had a set of compound interest tables before him. Construction cheapened by climbing hills and weaving in and out

around sharp corners meant more motive power, more wear and tear on track and equipment; time lost, money lost. Every day, every train load, every revolution of a wheel piled up expenses out of all proportion to the interest on the capital that would be required to build, in the first place, a line fitted for low-cost operation. Interest could be stopped by paying off principal. It could be earned by saving on operating expense. The charges of inferior or unintelligent construction are perpetual; daily, and hourly repeated, until the original defects are corrected. So he built, first and always, with a view to operating cost. He was substituting steel rails for iron, 650 or 700 pound for 300 pound wheels, steel bridges for those of wood, lowering grades, and putting in cut-offs, when other people were satisfied to collect the largest possible revenue from makeshifts. So far as the burden on traffic and the railroad's net revenue were concerned, it was mathematically the difference between paying simple interest and paying interest compounded every minute, year after year. Of course, this principle was applied with common prudence and common sense. There were many cases, such as the crossing of the Cascade Mountains, where the great first cost of putting in the permanent improvement, or the delay it would cause, was prohibitory for a new line in undeveloped country. The switchback must serve until the time should come when the tunnel could supersede it. But the original plan was made always

with reference not to the temporary, but to the future permanent line. The part of the former was reduced to the minimum that circumstances seemed to require. When the time was ripe for the latter, the change could be made with least loss of time, least sacrifice of material, and lowest money cost. Analyzed to its last element, his system of construction resolves itself into a faithful following of the line of least resistance. Every successful railroad in the country has adopted his method. He was not merely a great railroad manager, but a great railroad engineer. He proved it to the most competent men on his own system. It is the dictum of the highest engineering authority. Here, as everywhere, he owed the distinction and permanence of his success to the piercing insight that gave him, before he made any move, a clear-cut apprehension of the fundamental principle involved; and courage and resolution to apply it instantly, continuously, and unflinchingly, to the work in hand.

The law of least resistance applies with the same directness and force to operation as to construction. In any enterprise which requires large capital and must collect revenue to pay returns upon it, the difficulty of performing necessary operations, the cost of earning money, is a hill to be tunnelled or a ravine to be bridged. A level track and a straight line lessen the expense of the physical work by lowering the traction pull. Suppose the railroad line as satisfactory as

circumstances permit, then the method of bunching and distributing business, of making up trains, and of adjusting traffic parts to one another must be looked after with a judgment as flawless and a direction as scientific. First of all, the hauling of empty cars is a dead loss. Even if they are going in one direction in order that they may be brought back loaded, this is no excuse; for when they run loaded both ways, revenue is doubled with but a trifling addition to cost of wheelage. No need to dwell on this point. Mr. Hill's hatred of the "empty" and his hammering away at his helpers, from highest to lowest, upon the necessity of having all cars loaded have been emphasized sufficiently. This principle entered into and determined his whole plan for the development of the Pacific Coast lumber interest and of Oriental trade. It was to his mind a first condition of successful railroad operation.

The next element in the line of least resistance is density of traffic. Here are tracks and locomotives and cars. The tracks will accommodate twenty trains a day as well as two. They will carry cars loaded to capacity as readily as those only half full. They are as open to trains of seventy-five cars as to trains of fifteen. But the percentage of income that it costs to operate, technically known as "operating ratio," is vastly different in the two cases. Everywhere, in this country and abroad, increase in the density of traffic—the number of freight ton miles to each mile of track

operated—decreases operating ratio and builds up net revenue. It also permits reductions of the freight charge per ton per mile. This is following the line of least resistance. Set the receipts from a million tons pushing against maintenance and operating charges on each mile of road; against payment of interest and dividends. The resistance to each ton will be a small fraction of what it is when only a hundred thousand tons are behind the push. Mr. Hill never ceased to teach this and enforce it. "I know it is difficult to get a railroad man anywhere who can load his cars, who appreciates the importance of loading a car and loading his engine with loaded cars. When we commenced, we found this: that what we call the half-loaded car from the station in St. Paul would average from 5,000 to 6,000 pounds, and the capacity of that car was 60,000 pounds; the company hauled eighteen tons of car and blocked its railway with forty feet of car to move 6,000 pounds. By paying close attention to the loading of that car we have got it up to 18,000 pounds, and I think now (1906) at the Minnesota Transfer probably higher than 18,000. We haven't handled anything like the same number of cars that we had to before, to do the same amount of business. We don't block the side tracks, we don't block the railroad."

Everywhere he sought density of traffic. He built his lines where the country was such that traffic must inevitably rise from the soil, the forest, and the

mine, and keep on growing. He fostered agriculture as an unfailing and ever-increasing source of traffic supply. On all the railways that he directed or influenced, the number of cars drawn and the number of tons pulled per train mile were raised steadily. Both physically and financially this was finding and following the line of least resistance. First and last he emphasized the importance of a great volume of traffic, not only in its ordinary relation to income but as a lever to which economies might be applied with surprising results. He impressed upon every superintendent, upon all who had to do with operation, the fact that a saving so small as to be disregarded commonly, a mere mill or fraction of a mill per ton, if applied to the enormous tonnage of a system would give big returns; might often make the difference between a profit and a loss. To this end a school of education was established and maintained in the Great Northern headquarters building. Men who had got results or shown promise were trained there in the meaning and value of the figures in operating sheets and reports. They were taught to dig down and discover the causes of a bad month or a poor division record. Then they knew how to remedy or, better yet, to avoid these things in practice. The idea became self-perpetuating. So conspicuous and desirable were the results that other railroad systems sought to instal his methods by employing men who had been trained to efficiency under him. A considerable number of the

most successful railroad managers of the country drew their first inspiration from Mr. Hill, and received their practical discipline under his eye and command. Whatever they learned there they learned thoroughly. The Great Northern became a sort of unofficial school of American railroading.

The master-key fits the problems of capitalization, rates, and profits, as well as those of construction and operation. A sum total of stock and bonds out of proportion to the cost and value of the property, and to its earnings, is a deviation from the line of least resistance. The capitalization of the railroads under Mr. Hill's management was made and kept relatively low. He could see no permanent gain in filling a railroad's capital with water. Moreover, as his words already given state emphatically, he would have none of it because he did not think it honest. He did not want and would not touch money so obtained. Here is a public statement made by him just before he resigned the presidency of the system. It is a practical illustration of his theory of capitalization. It adjusts the master-key to this part of the lock. "No other investment in the country served by the Great Northern has received as low compensation. Now, that is on the stock and bonds issued. There would be probably thirty-five to forty million dollars more invested than is represented; some of it profits. When we reorganized the old St. Paul & Pacific we capitalized it at some ten or

twelve million dollars less than the judgment for the old bonds and interest. You see there was ten or twelve millions of capital wiped out. Then there is another condition there. Congress granted lands to the State of Minnesota, and those lands have been sold and used to retire bonds. I think the bonds retired were about eleven or twelve millions. If you are familiar with the history of land grants in Minnesota, you must know that most of the lands were sold and the proceeds given to the stockholders. Ours has been administered most carefully and the proceeds have been used to retire bonds, and the public is saved the interest on those bonds. I think that the actual investment in the property is thirty-five or forty millions more than it is capitalized for. That grant was to aid in the construction of the road; we used it for that purpose. It gave us a credit to begin with, and as the lands were sold the expense of taking care of them and selling them amounted to sixty or eighty thousand dollars a year, and the balance of it was used to retire bonds."

A rate unreasonably high or unreasonably low is an interference with the line of least resistance. This applies with especial force to the relation between the railroad and its best customer, the farm. Mr. Hill's conception of that, his lifelong study and service for the promotion of agriculture, will be the subject of the succeeding chapter. As it connects with his theory of railroading, he put it in a nutshell in an off-hand address in

1911, at a little town in Oregon: "The railroad, when it comes here once, is in partnership with the land upon which we live and walk. It must be poor with it, and it will only prosper when the land prospers, or the owner of the land prospers. You can sell your land and move away. If I owned the railroad—I have a great many partners, about 18,000, and about 8,000 of them are women and children, and I have to take care of their interest—with their consent I could sell the railroad, but I could not take it away. It is here, it has got to remain, and it has got to have its prosperity or its poverty with the growth of this country; and that is the reason why we are so anxious that you should grow, in order that you may make greater efforts. We know that if your efforts fail, we fail; and every dollar that we get you have got to get first; and that is the reason why we take so deep an interest in your success. We are glad now and at all times—and it has been our policy—to try to hold up the hands of the man who is cultivating the land. Imagine for a moment what the railroad would be worth if nobody lived along the line."

This is only one application of the rule, an important groove of the master-key, that a railroad should charge "what the traffic will bear." Perhaps it is impossible to rescue that phrase from the obloquy that has covered it. The public, unacquainted with railroad terminology, almost universally translated it as "*all*" the traffic will bear. It means, of course, nothing of the kind. It was

coined to express graphically a conception and an economic philosophy benevolently paternalistic. It should read "no more than the traffic will bear." Every section, every locality, and many cities or little towns have some resource or possibility which can be developed only by encouragement and help. It may be a wheatfield, a mine, a bit of irrigable land, a stone quarry, a bed of clay fit for brick or tile, any one of the thousand things that invite human industry with promise of rich repayment. All depend upon access to some market. The way is barred if the full schedule rate is charged. This "infant traffic" cannot bear it. An elementary rule of transportation rate-making is that cheap and bulky commodities must pay less proportionately than costly articles, light in weight and small in volume. Another is that the same commodity cannot pay the same rate per ton per mile under all circumstances. A coal mine near a city can be worked at a profit and at the same time pay a charge to the carrier which would prevent the sale of a single ton from a mine of equally good coal if its product had to be carried so far that an equivalent rate per ton per mile ate up the whole selling price. One practical condition after another comes in to modify a strict rule of democratic equality in railway rates. They have to be and always are made such as will, under all existing conditions of distance, quality, quantity, and market management, enable each industry at least to live, preferably to

expand, and at the same time give to the carrier a living profit or better.

This is what is meant by rates such as the traffic will bear. No railroad manager, no railroad commission, no legislature, no court, and no individual has ever discovered or invented, or ever will, a general rule for the making of such a rate. Its elements are too many and too different. Its roots are too deep and too widely scattered. It answers to no arbitrary formula. It has always been and, so far as one can see, must continue to be fixed by rule of thumb; subject to the endless, because ever-changing, correction of practical experience. The following is Mr. Hill's plain way of putting it: "Now, if we did not make the rate so as to encourage the production of wheat in a wheat country where there is nothing else, what would become of the merchandise? There would not be any. There would not be any churches or school houses or doctors or school teachers or clergymen; there would not be any town there. It would return to what it was twenty-five or thirty or forty years ago—an unoccupied wilderness. And so it is not an unfair discrimination to make the low rate for the man who is cultivating the soil, or digging in the mine, or working in the forest, because upon his product depends the growth of the entire section of the country, and you must build it up; if you do not, the railroad is not worth a cent."

Mr. Hill came back, as Congress and the Interstate

Commerce Commission and all the courts have been obliged to come back, to the principle that rates should be reasonable. A reasonable rate offers least resistance to traffic growth. But, what is a reasonable rate? He replied: "It is based entirely on the cost of operation and maintenance and its relation to the value of the property used. In this item are included the payment of interest on bonds and a fair return, in the shape of dividends, to the stockholders." This delicate problem, the fixing of a rate not too high to retard the development of the country and not too low to permit the railroad to operate successfully and meet all present and future demands upon it, has never yet submitted to any hard-and-fast solution. On no two railroads and in no two sections of the country would the conclusion be just the same. It depends on capitalization, good judgment in building and operating, the character and distribution of natural resources and, above all, on the intelligence and honour of railroad management. Here, as everywhere, the right rule benefits both sides. "It is for the public interest," he said, "that the amount to be earned should be derived from a large volume of traffic at a low rate, rather than a small volume at a high rate." He summed up fairly and truthfully the relation of his life work to railway rates before a legislative commission, after that work was practically completed: "I have tried to run a railroad without any inside ring, or anything to cover or con-

ceal in any way, and I have tried to make it an honest institution, giving the public as fast as we could afford it the benefit of a reduced rate. And I think that a close examination of the record will show that we have lowered the rates throughout the whole West oftener and farther of our own motion than any other road, or practically all of the other roads put together."

Railroad competition is part, but only part, of the line of least resistance. On this Mr. Hill's views were extremely clear. In the main, they are stated in the chapters devoted to the history of events in 1901. Competition between railroads, in the sense that it existed fifty years ago, has gone, never to return. Nobody wants it back. The public would not endure breaking its journey at every state line or oftener; nor could business stagger through the gauntlet of several joint freight rates on every little shipment. Reckless rate wars are as economically destructive in principle as the armed clash of nations. The consolidation of railroads into large systems being suitable for economy in operation, and adapted to the public convenience, is a natural development of economic law and, therefore, a finality. But the sphere of this law has boundaries. Somewhere, in each individual instance, combination should stop; and competition, in the larger sense, be restored. Mr. Hill himself not only refused to stand at the head of any conglomerate aggregation of naturally unrelated lines, but announced flatly the impossibility

of a successful consolidation that should attempt to cover and operate over the whole country, either east and west or north and south. "Three things prevent the further organization of American railroads in systems. The first is the law. The Sherman Anti-trust Act makes it unlawful for any two railroads to effect any combination in restraint of trade; and further systematizing of railroads would be such a combination, according to the courts. The second is the determining force of commerce. Suppose a man could effect what Mr. Gould aimed to achieve—a system reaching from coast to coast, organized and operated as one road—what good would it be? The man west of the Mississippi would still ship his grain, his live stock, to Chicago, or St. Louis, and there it would change owners. Compared with such consignments to Chicago or St. Louis the amount of through shipments would be inconsiderable. Markets, geography, and commerce—these are the things that limit the development of railroad systems, and they draw the lines just about where the present systems are now. The third is the human problem of getting men to manage larger systems. Take the New York Central as it is. It has, say, 80,000 men on its rolls. That's an army. Suppose they all struck. And when a man is found big enough to carry this load and that of two or three other systems employing corresponding armies, he could not stand it."

His idea was "competition by groups." This meant

that each integral geographical and commercial section of the country, comprising states and parts of states bound together intrinsically by situation, industrial interest, and relations to markets, should have its own independent system of railroad lines, working either under one ownership or in complete community of interest. These groups of states or sections, these systems of railroads naturally concreted, will compete for business. It will be a competition between homogeneous productive areas, seaports, great through routes, and widely separated sources of supply. The evolution of the railroad interest of this country is the living proof that Mr. Hill's view was scientific as well as practical. He said: "Our Company will continue to maintain a conservative and firm position, having proper regard for the revenue of other lines, without any disposition on our part to interfere with their local rate at intermediate points." He felt all the delight of a successful general in his ability to dispose of any kind of competition that might wander his way and try a tilt with him. Before a legislative commission he said, quite seriously: "If I had a well-settled, well-built road, where the embankments had done settling and everything was up and in shape and in permanent condition, and you built a road alongside and it cost $30,000 or $40,000 a mile, and you undertook to live at the same rate, I would have your road, if I wanted it, within four or five years." And so he would.

Naturally enough he was highly impatient, not so

much of the principle of public regulation of rates as of its inevitable blundering and its susceptibility to prejudice and abuse. His experience began at a time when railroad managements were practically a law unto themselves. He believed that he knew better than any public authority, executive, legislative or judicial, what would be, in any given case, a just and reasonable rate. He meant to make such a rate if they would let him alone. It was as much part of his theory to build up the country by lowering rates as to maintain a paying property by keeping them up. As in most of the serious difficulties of all people on the face of this earth, the trouble here is to determine exactly the content of that word direct from the eternal heart of things, the word "justice," with which the mortal and the finite wrestle forever. With his knowledge of the railroads of the country as a whole, he could not deny the desirability of some curb somewhere upon possible individual or corporate rapacity. But he could not see, and circumstances have failed to disclose, how the bit and the bridle were to be fitted also to public covetousness. "The only difference," he said, "that I can see between a commission of five men fixing the rates on all railways in the country and a commission operated under government ownership is a difference in name." The experience of a lifetime whose latest trial was the rate cases just described, and the general decrepitude of the country's railway machine as proved by official statistics,

tended little to soften the harshness of this view. At the time of his death this part of the railroad question was as unsettled and as uncertain as when he began to think, and the public began to act, upon it. The perfecting of the master-key still awaited such changes in average human nature as would permit the harmonious meeting of all minds in the determination of a "just and reasonable rate."

He was disturbed and seriously anxious about the inadequacy of railroad terminal facilities. Here, indeed, the line of least resistance is broken by gullies and obstructed by landslides. Terminals, he repeated, were the hands and feet of the railroads. Nowhere was his foresight displayed more clearly than in the provision he made for his own system. He had taken thought in time for its needs in St. Paul and Minneapolis. He had built up the largest and most effective terminal facilities in the world at the head of Lake Superior. He had saved the people of Seattle from mistakes that would have hampered their terminal business for ever, and had given them a plan responsible for no small part of the city's commercial greatness. He never laid out a line without securing at every important point terminals equal to all probable needs for years to come. He saw traffic congestion recur on the main traffic arteries of the country as regularly as financial panics. One of its palpable causes was insufficient terminal facilities. If it went on increasing,

the effect would be like that of clogging permanently the arteries of the human body. He said, in 1910: "This problem of terminals is the great problem of the country; the problem of transportation agencies, of financiers, of the communities directly affected and of all the industries that depend directly or indirectly upon cheap and speedy carriage for the commodities which they buy and sell. It is a problem for everybody; since probably not one business man in the whole country would fail to feel the disastrous effects if it were to be neglected for the next five years as it has for the last ten, and to blight every form of activity by paralyzing the whole of trade." In 1912 he took up the same theme at a meeting of the Railway Business Association in New York City: "No city can afford to place its trade, which is its life," he said, "on a false basis. When the commerce naturally tributary to it is handicapped by poor terminals, or overloaded with too heavy charges on account of the excessive cost of enlargement, it will go elsewhere. There are a dozen places between the Maine coast and Norfolk that could be made available for relief. A city can never grow great enough to defy safely the demands of the laws of trade and its proper accommodation. Should the decentralization plan be forced on traffic, some of our greatest cities would not merely forfeit their natural share in national growth, but they would surely decline in business, wealth, and power."

What he deprecated most in the general drift of railroad regulation and legislation was that, carried to its logical conclusion, it seemed to move toward government ownership. Personally he cared little. Such a revolution could not shake the foundations of his fortune or lessen his fame. Impersonally, it seemed to him the ultimate calamity. As a business venture he believed it the worst step the country could make. "If the people could let the Government have the main lines for twenty-five years, I don't know what they would give to get rid of them. They would be like the man who drew an elephant in a lottery. They would have to have another lottery to get rid of them. The trouble would be that everything in the way of an appropriation would depend on the votes in Congress. How would you keep the road up? One crowd, where the population was more dense than others, would want their road in good shape, and out here where your population is sparse and your representation in proportion, you wouldn't have votes enough, and very soon the road wouldn't be fit to travel over. I should be delighted, personally, if the Government would take the Great Northern and pay what it would cost to reproduce it." The balance sheets of the State-owned railroads of other countries were eloquent of incapacity. The reports of this country's conduct of the Panama Railroad, with its enormous rates for a service exceptionally easy to perform, could not be gainsaid. But,

after all, it was the forecast of political consequences that affected Mr. Hill most deeply. Sink the plummet to the depths of the railroad man, and always you would find the patriotic citizen. He believed that the taking over of the railroads by the Government, with the inevitable solidifying of the vote of two million railroad employees, "would mean the destruction of free government in the United States." In all seriousness, and with an interest, an anxiety, and a readiness for personal sacrifice such as an attack by some other country upon the United States would have evoked, he looked forward to possible federal ownership and operation of railroads as the death sentence of the American democratic experiment. The fear and the pain of that struck at the life of some of his strongest convictions and holiest hopes. Public ownership challenged in him not merely a theory or predilection, but the strong faith of a democrat and an American.

In all the ramifications of what is loosely called the "railroad problem"; in everything that touches the creation and operation of a railway line, the management of traffic, the apportionment of rates and the collection of revenue; in all the difficult domain where the interests of the individual, the railroad, and the general public come together, each wrangling with every other, and each ready to explode into elements and atoms of discord—there is but one steady interest, one guiding thought, one trustworthy clue. The complicated lock opens only

at the touch of one master-key. This, the following of the line of least resistance, now admits of generalized statement. That line is drawn by the highly scientific and yet plainly simple and human law of identity of interest. It travels in a circle. The moving thought comes back to a people and a transportation system reciprocally dependent. Some time, somewhere, all human activity must stoop and touch the earth to find its strength renewed. The Sons of Antaeus are the saving remnant of the past, the true progenitors of the future. The railroad must bring in the people, create the farm, build the factory, cram the warehouse with wealth, and be at once the Mentor and the Mercury of the crowd. An organized and disciplined army of productive industry must summon, sustain, and make greater, more efficient, and more helpful the railroads that shall carry it on its appointed way. The master-key is turned.

## CHAPTER THIRTY-SEVEN

### THE SONS OF ANTAEUS

"LAND without population is a wilderness. Population without land is a mob." In these two pithy sentences, dating from the earliest expression of his economic ideas, Mr. Hill summed up his sociological faith. He never recanted or modified that creed. Stripped of non-essentials, man poses as a two-legged animal, gifted with intelligence, standing squarely on a piece of the earth's surface. Whatever he can make of himself and his environment must be made with and from that original provision. From it also stimulating reactions arise. Take the man from the land, and it remains of no more account in the general plan than any bit of heat-scorched surface on Mars, or any extinct crater of the moon. Take the land from the man, and he will drop like a withered leaf through space. Leave him standing room, but vest control of the land in others, and his progeny relapse into brutish, embittered semblances of human things, waiting only for an opportunity to repossess themselves of their heritage. The wilderness is the denial of nature's plan for the replenishment of the earth, and its increase in products for the service of man. The mob is the denial of nature's plan for an

active, friendly, coöperative association of men to subdue the earth; and, by filling it with bloom and fruit, raise their own qualities to the zenith of their power. These brief axioms are an epitome of political economy and sociology. They were absolutely fundamental to the thought of Mr. Hill. To remember this is to understand the interdependence which existed, from the first step to the last, between his work as a master of transportation and his work as a student of agricultural processes and a leader in the improvement of the farm. They were twin brothers in his conception of the business of being a man. It is possible that the world which knighted him "empire builder" may one day be in doubt whether his most lasting creations were those of the right hand or the left. Certainly he held the two in equal honour.

From the days of the achievements of Pompey and Crassus, days when caravans were on the desert, and older days when the white sails of the Phoenicians flashed in unknown seas, the service of an interchange of products of the earth drew him. Through that he realized intuitively his genius when he was dreaming of side-wheel steamers to plough the waters of Indian rivers, and when he was shouting to his dogs on the long frozen trail to Fort Garry. But his mind was logical. It never allowed the pan of either scale to kick the beam. If there were to be carriers, there must be something to carry. How could a man cover the American North-

west with railroad lines and keep them running, unless an immense volume of freight were waiting and calling for them? Of what would that consist, and whence would it come? Here, as everywhere, the man must find ground on which to stand before be could do his work. He must have more than standing room. The commodities through whose creation the people were to grow rich and wise, and by whose movement from one point to another great agencies and great abilities were to arise and be justified, would not come at call from nothing, like some prestidigitator's creatures. The builder and manager of the railroad must have wealth in abundance and variety to carry. Out of what, and by what human processes, could such abundance be summoned?

The answer to this question runs back to another favourite saying of Mr. Hill: "All wealth comes from one of four sources: the sea, the forest, the mine and the earth." It dates from the same early time as the two sentences which stand at the head of this chapter. Nobody knows when they all disentangled themselves from the complex web of social and industrial organization, and rose separate and shining to his eye. The axiomatic certainty behind them may date from his boyhood's reading; may have been hammered out on the anvil of his thought in the long nights of Minnesota winters over his books, while frost held the Mississippi ice-bound; may have disengaged itself from the packages

that he handled as clerk or agent. What is sure is that this framework for constructive effort was formed and immovable within him when he first conceived the idea of controlling and extending the St. Paul & Pacific. Remember that his fulcrum was the rank growth which sprung up where the Red River carts or the gophers had exposed the rich under-soil to the kiss of sun and the thrust of seed. He visioned a railroad because he saw the raw material of what that railroad should carry. He conceived each factor strengthening the other indefinitely through the years. He was as a discoverer of perpetual motion; for the breath of life and pledge of growth for his secure ambition would be the unending energy of fertile soil and germinative potency, the genial warmth of sunshine, "the early and the latter rain." In 1907, when he was addressing the jobbers of St. Paul, and they expected him to talk about the outlook for trade and manufacture, he said, "You have just two things up here—soil and climate." In 1909, in a speech made at Minot, from which his road so many years before had made its huge drive westward, he said: "I have tried at all times not to waste energy. In the early day in travelling about the country in looking ahead to see where we might build railroads, sometimes travelling in a buck-board, and sometimes on horseback, I always carried a spade. I wanted to see what the soil was. I knew what the climate was, and with the soil and climate I was not afraid to open up the country,

making it possible for people to live upon the land, cultivate it, and make homes for themselves." It was the man with the spade who conceived and created one of the greatest railway systems of modern times. If concrete symbols could represent the life of Mr. Hill, the plough and the locomotive would stand in equal honour side by side.

It has seemed worth while to drive home the prominence always given by Mr. Hill to the farm. Always his thought harked back to the land. All men are sons of Antaeus. Their wrestling bout with nature is lost unless they can touch the ground. Without that understanding, any notion of him as a railroad builder would be absurdly incomplete. Again and again glimpses of his philosophy appear through the crannies of the day's task. His railroads could grow only with the growth of the country, and the wealth of the country could grow only by the growth of his railroads. Hence, the spying out of new territory and its occupation in proportion to its ascertained fertility. Looking at a field of grain he said: "The country that will grow this kind of stuff without splicing the straw is not to be turned down." A careful student of his method summed it up many years ago in the following general rule: "Where the acres are fertile and yield large crops, there the Hill tracks radiate and cross and intermingle in a bewildering network that serves every farmer and fruit raiser and merchant and miner and lumberman wherever

he is; while if the soil is not capable of supporting population in large numbers, you find the Hill roads thinning down accordingly, as in the semi-arid regions, where the number of bushels to the acre and the number of cattle to the square mile are both limited. It is this wisdom in putting his railroads where they will create population and prosperity and thus secure profitable traffic that has made the success of his system." Yes, but he wanted to raise or remove the productive limit of all square miles and all acres. Almost with passion he cried out to an audience in the years after he had retired from the presidency of the railroad: "Call me anything. Call me a crank, call me anything else, but I would rather raise my voice in the direction of maintaining the fertility of the soil than in any other way, because it will do some good, not only to you but to all the generations coming hereafter."

The trouble was that the farm never kept pace with the railroad. The land was there, its quality was all that could be desired, its promise and the work of skilled immigration agents brought in people by millions. But the yield was disappointing. Everywhere settlers planted wheat because, in this rich virgin mould, it brought the largest cash return. They kept on growing wheat until the yield fell from between twenty and thirty bushels an acre to fifteen, to twelve, to eight. Then, if they had spent the winnings of the fat years, they drifted, broken, to the cities and towns, to live as

best they might. If they had saved something, they moved on west or north to repeat, on rich lands yet unoccupied, the process of exhaustion. To Mr. Hill the sight of this was like the passage of one of those trains of hated empties. It was robbing these people, and their children, and him. It was impoverishing the future. It tended to defeat the great plan by which railroads should go on building farms and farms building railroads forever. He could not tolerate it. He sought and found the remedy; and continued to divide his strongest interest and his most abounding energy between the railroad and the farm. How he worked out the general principle of conservation and applied it to the land has been told in another chapter. His original interest in conservation and his study of it were both inspired by anxiety about the future of American agriculture. All the rest was only a logical corollary. Having set wheels moving for the larger purpose, he concentrated his efforts on the factor that appealed to him and on the section of the country that he knew best. Here, too, the reaction between soil and railroad would be strongest.

In 1879, when the St. Paul, Minneapolis & Manitoba was organized, and in the years immediately following, the exchange of old bonds for lands included in the grant to the St. Paul & Pacific meant to him less the extinction of a debt than the guaranty of larger and more prosperous communities, which would need more and better railroads. A previous chapter has related

the beginning, in 1883, of his long campaign for more live stock of better grades upon the farm. It would, he said, break up the one-crop process. It would encourage the dairy interest, for which the Northwest was by nature so admirably fitted, but in which its farmers showed so little interest. It would, by providing a natural fertilizer, restore productivity to the soil. It would give the farmer work for the whole year, instead of intense labour during the few months of seedtime and harvest, followed by the unremunerated expenses and the demoralization of idleness during the long northern winter. So, for thirty-three years he had hammered away, in season and out of season. Such part of his crusade as is inseparable from the history of the preliminary period—his first stock distributions and their sequel—appears in its chronological setting. This is the place to take up the record and carry it to completion. The purchase and placing of high-grade stock in the Northwest continued. Although so many people failed to understand his motive or his method, he went on indefatigably. He wanted to do more and better. One of his interesting experiments, the introduction of the general-purpose cow, was well under way at the time of his death. He wanted the farmer to get, so far as possible, a maximum of dairy product and a maximum of beef product from the same animal. He worked confidently and enthusiastically to the last upon this extension of his live-stock propaganda. Professor

Thomas Shaw, an expert in animal husbandry who had helped in the work, furnished the following:

"For the last thirty years and more there has been no end of conflict between the breeders of cattle as to whether a place should be given on the farms of this country to the dual-purpose cow: the cow that is good for milk production and also for the production of high-class meat. In 1913 Mr. Hill authorized me to go to Great Britain and purchase a herd of milking Shorthorns for his North Oaks farm, along with other purchases referred to later. On reaching England it was found that fully 80 per cent. of all the milk used in England came from these two-purpose cattle, an overwhelming majority of which were milking Shorthorns. Twenty-six were purchased at an average cost of about $500. These animals were all recorded in the English Shorthorn herd-book. In 1914 Mr. Hill again authorized me to go to England and bring out fifteen of the best cows of that class that could be obtained. Fifty young Shorthorn males were also to be purchased for free distribution to the farmers along the lines of the Great Northern Railroad. The fifteen cows were purchased at an average cost of $500. It would seem safe to say that fifteen cows better individually were not left in England. The fifty young Shorthorn males were all registered in the English herd-books, and when brought to America were distributed without cost to the farmers along the Great Northern Railroad in the states of

Minnesota, North Dakota, Montana, Washington, and Idaho. Twelve South Devon cattle were bought, of which two were males. These are the first South Devons ever brought to America. The demand for milking Shorthorns in the United States has gone up by leaps and bounds since these importations were made. On September 8th, 1915, the 'American Milking Shorthorn Breeders' Association' was organized in St. Paul, Minnesota, with Mr. Hill as its honorary president. There is no saying how far-reaching this movement will be. It is now believed by those competent to judge that it will become in the near future one of the most useful live-stock organizations in America."

Mr. Hill was as alive to the importance of conservation of live stock as to its introduction; as keen to establish this principle here as in the care of the soil and other natural resources. He is, indeed, primarily responsible for an important movement in this direction. The following details were obtained from Dr. Hermann M. Biggs, Health Commissioner of the State of New York: "In the summer of 1913 Mr. Hill spoke to me of the great loss from the prevalence of hog cholera in the Northwest, the economic importance of its prevention and his interest in it. He expressed strongly his belief that not only was the system of inoculation employed ineffective, but in some instances the inoculation of a herd of swine had been followed by the prompt appearance of the disease. Finally, in his characteristic way,

he said: 'Do you think that the Rockefeller Institute would be willing to take up an investigation of hog cholera with a view to determining its cause and the method of prevention?' I arranged an interview with Doctor Flexner, the active director of the Institute, in which we talked the matter over; and later presented it to the executive committee of the Board of Scientific Directors. After full consideration, a recommendation was made to Mr. Rockefeller that a Division of Animal Pathology be established in connection with the Institute. A budget calling for an expenditure of about $50,000 a year having been prepared and submitted, Mr. Rockefeller later wrote saying that he had given to the trustees of the Institute securities to the amount of $1,000,000 for this purpose. Preparations for its establishment were made, and Dr. Theobald Smith was engaged as its Director. The buildings of the new division at Princeton, New Jersey have been in part completed. The Board of Scientific Directors regard this departure as one of the most important in the history of the Institute, and likely to lead to developments of the greatest value. The initiative which led to it came entirely from Mr. Hill."

All this study and labour and expenditure, amounting to hundreds of thousands of dollars, for the introduction of improved breeds of cattle and for the conservation of live stock, was good in its way. But to Mr. Hill it was only a beginning, an accessory. His main thought was

that nearly the whole industrial process of the farm must be changed. Farm yields in this country were too low. This was especially true of the West, where, as he said, comparing it with New England, you do not have "to shoot the corn out of a gun up on to the side of a hill, and shoe the calves in winter to keep them from sliding down." The acre product, as compared with that of less favourably situated land in other countries, was insignificant. There must be a general reform. He studied the history of such movements elsewhere. He went back a century to the investigations of Great Britain's Royal Commission to inquire into and recommend better agricultural methods. The records of farm yields throughout the world were laid under contribution. To the farmers of the Northwest he taught incessantly three things: a more intensive system, crop rotation, and soil maintenance by fertilization. No one outside of the Northwest, and comparatively few persons there, can appreciate, perhaps even comprehend the volume and intensity of his labours in this cause. The Great Northern sent out, in 1906, an experimental train fully equipped and accompanied by lecturers, to instruct the farmers who gathered at each stopping place in plant and animal culture, prevention of disease, and new and improved methods. This unrelenting zeal wore down prejudice and opposition. The farmers of the Northwest who, thirty years before, had looked upon Mr. Hill's invasion of their field with

suspicion and without faith in his ability to guide, were becoming converted. So, too, was public opinion. At each session of Congress something was done for the extension of agricultural education. In the states, the wheels of agricultural colleges began to revolve more rapidly.

He spoke, wrote, encouraged, lent a hand everywhere. But the Government and the states did not move fast enough or far enough for him. What he wanted was to get into the minds of the men on the land the practical knowledge required to extract from any farm its greatest possible product, while sustaining or even increasing its fertility. They could not all go to the agricultural school. The agricultural school could not come to all of them. Even the county agent system, which may be said to be one of the indirect results of his campaign, could reach a comparatively small number. "We cannot wait," he said, "until all the old farmers die off and the younger generation that has been educated at farm schools comes into control." As always, when he saw that a thing was good he wanted it realized—turned into fact—at once. So he did it himself. In 1912 the Great Northern formed its organization for agronomic inquiry, demonstration work, and the education of the farmer on his own land. Mr. F. R. Crane, who had twelve years' experience in responsible positions in the University of Illinois and the Special Agricultural School of Menominee, Wisconsin, was

placed in charge of the work. The remarkable results obtained under his superintendence owed much not only to the original plan of Mr. Hill, but to his minute and continuous examination, suggestion, and surveillance. The first year a tract of five acres was selected on each of 152 farms in Minnesota and Dakota. The owner agreed to plough, plant, and cultivate the five acres exactly as directed. Selected seed was furnished to him. He received the product of these acres as his own, being paid in addition for his labour. There was a great gain in the quality as well as the quantity of the yield. The record of these Great Northern plots as compared with the average yield of the state, measured by the acre product in bushels, was as follows:

| | Minnesota | Average for State |
|---|---|---|
| Wheat | 29.86 | 15.8 |
| Barley | 44.65 | 28.2 |
| Oats | 67.09 | 41.7 |
| | North Dakota | |
| Wheat | 31.47 | 18. |
| Barley | 49.71 | 29.7 |
| Oats | 78.64 | 41.6 |

It was also shown in practice that better methods would not of themselves completely restore soils that had been abused. Such improvement, unaided, was too slow. The plan was enlarged to include soil analysis,

disclosing soil defects; communication of this information directly to the man on the farm himself; demonstration of its value, and advice and assistance in supplying the elements necessary to high productivity. Mohammed had not come to the mountain, so the mountain went to Mohammed. Early and late Mr. Hill repeated his slogan: "We must get the facts direct to the man on the land." No facilities being within reach at that time equal to the scientific analysis of soil samples from hundreds of farms, he turned over to the work the extensive greenhouses attached to his residence in St. Paul. There soils were analyzed. There experiments were conducted, by growing plants in pots filled with earth specimens taken from different farms and treated in different ways. The results pointed out scientifically the nature and amount of the addition to each kind of soil required to bring it up to high fertility. These pot cultures made the diagnoses from which prescriptions were ordered for all these separate ailing or anaemic soils over the Northwest. Mr. Hill knew many happy moments in this laboratory of living things; passing between long lines of sturdy witnesses to a better agriculture, watching the growing grain, measuring relative improvement, seeing in fancy the new wealth incubating here, forecasting effects along the lines of his own system and anticipating their repetition, by force of example, all over the country. Most of the soils were found deficient in phosphorus. Acid phosphate was

added, in combination with barnyard manure. The farmer tried out the remedy on the demonstration plot on his own holding, following instructions literally. It was proved that there was a net gain in the market value of the product of from $2.65 to $3.00 per acre over the cost of the fertilizer. Every farmer who harvested and garnered these crops was a convert. Every neighbour saw or heard of the results. Letters of approval testified to the rise in favour of the new methods. The work more than justified itself. Mr. Crane gave the following summary of what had been done down to the year of Mr. Hill's death:

"In the past five years we have operated, under contract, with ten hundred and sixty-five farmers at different points in Minnesota, North and South Dakota. We have, in several specific instances, done work in Montana. We have put in thousands of acres of alfalfa with no agreements drawn up. We have averaged each year a little over three cars of pure seed grains which we have distributed free of charge. We have averaged each year a distribution of about five hundred tons of commercial plant foods, which were made up principally of acid phosphate. The work has now advanced to the point where we are establishing permanent twenty-acre rotation plots upon different farms located in the states through which the Great Northern Railway passes. These plots will be continued upon the same farm for a period of ten or fifteen

years. This plan received the official approval of Mr. Hill. These points serve as centres where we bring the farmers together each year to talk over the advance being made in agricultural methods. The increase in yields, from a percentage standpoint, will run from 25 to 33 per cent., in many cases more than doubling the yields upon the rest of the farm. There are, of course, a few failures, but these are running less than 1 per cent. In every case we can satisfy ourselves that it is largely the fault of the farmer where a failure takes place."

Mr. Hill's plan contemplated a system of agriculture regenerated in its fundamental principles. The railroad would get its reward from the larger volume of business contributed, field by field, from each rejuvenated farm. "You may think it strange," said Mr. Hill to a gathering of merchants, "that I would rather see butter and cheese and cattle raised, where five bushels of corn would be concentrated in the weight of one bushel in the steer. We will not be short of tonnage. We will have all we can carry, and more. No trouble about that." His thought was true and living: If the land pays a higher return for labour, more labour will seek the land. If farming becomes a business of profits as closely calculable in advance as those of merchandising, it will attract capital and men as powerfully. If the farm is a better place to live, a healthier, happier, more profitable, more comfortable place than it ever was before, the drift of population

from country to city, swelling urban communities at the expense of acres lying fallow and lost to the world's uses, may be checked. Wealth may accumulate and men not decay. All this was included in his purpose and his hope. "See to it," he said at a meeting of farmers, "that the children of the farm go where they will not be taught to despise the soil or long for a future freed from its labours, but will learn the fact, now being fully understood, that the right kind of farming offers scope for the keenest intelligence, occupation for the most active brain, and opportunity and reward for the highest ambition." In answer to a request to write an article for one of the papers published at Yale University, and give practical suggestions, his message to the collegian was that, in the new life and with the new ideas of the day, there is a fitting place for the University man on the farm. His propaganda in this country was noted and rightly valued abroad. Between him and Sir Horace Plunkett, thinking and working along the same lines for the uplifting of agricultural Ireland, there was reciprocal interest and appreciation. A letter from Sir Horace in 1914 contains this passage: "I write to you now to say that, largely owing to your own writings, the problems of rural reconstruction are not only obtaining far more attention than formerly in the United States, but there are an endless large number of very effective philanthropic organizations and many big thinkers and

social workers doing fine practical work upon the problems. There are many things and people I should like to show you in Ireland, where I am certain you would be immensely interested in the working out of ideas which you have favoured in the United States."

The agricultural interest of the United States owes a lasting debt to the enthusiasm and the life-long labours of James J. Hill. It was inextricably linked with his chosen work in life. He saw railroading and agriculture as twin agencies in the conquest of the world's fair future. There should be no more wilderness, and no more mob. On the land would be room and work and a competence for all. If, in the work of Mr. Hill for agricultural improvement and instruction, there was a strain of self-interest—and assuredly there was—it was woven there by the nature of things. If he took toll, he also gave service in heaped measure to the material progress of his time. None of it was more willing or loyal than that which he offered to the toilers of the earth. If his scheme dug deep to make new piers for wealth and give new scope to power, it rose also, not merely by implication but by virtue of his wide prevision and his real and deep solicitude for his country and his kind, to the height of statesmanship.

He became now, himself, the head of his own peripatetic agricultural university. He was always on call. His voice carried farthest. Old settlers, who had found him staunch for a lifetime, flocked to hear him and

**LORD MOUNT STEPHEN**

**As president of the Bank of Montreal, an associate of Mr. Hill's in the financing of his earlier railroad ventures, and a life-long friend**

brought the newer comers with them. Every year he undertook voluntarily labour comparable to that of a candidate for high public office. Invitations to address farmers' meetings and county fairs came in by scores. Wherever he went, his audience numbered thousands. He made out, long in advance, itineraries for these addresses on farm needs and methods. Only the most imperative call of larger interests under his care was allowed to interfere. He travelled from one county to another, speaking in rural centres, seldom in large towns, at meetings in the open air, under a big tent, in a close and sometimes chilly auditorium, in all weathers, regardless of his own health or the strain upon it, and often making two or three of these addresses in a single day. This was pure missionary work. By this time his railroad did not need such efforts on his part. It was the people on the farms that he cared for and wanted to help. His talks were always extempore; simple, full of homely argument, crowded with apt metaphors drawn from the life about him, enlivened by humour and by sallies at the expense of some of the old acquaintances whom he saw everywhere. Strange and inspiring spectacle! A man well past the threescore years and ten that bring at least surcease of labour, a man of such achievement, such wealth, such power, whose presence was sought for eagerly at meetings of renowned and powerful associations all over the country, setting aside their invitations in order that he might

be free to preach the gospel of better farming at some country crossroads. To the end of his life he maintained this custom, become now both duty and delight. Had he lived, the autumn of 1916 would have found him, as did that of the year before, lending the momentum of his knowledge, his experience, and his personality to the betterment of farm conditions; which implied for him universal prosperity, the rise of the average individual character, and the security of national institutions.

One hundred and thirty years before the opening of the Christian era a wise old thinker, without our light to guide him, wrote compassionate words, at the same time pitiful and proud, which run parallel with Mr. Hill's larger and deeper purpose and his inarticulate thought. These are the words of the Son of Sirach, caught here and there as he muses upon "The Wisdom of Business": "The wisdom of a scribe cometh by opportunity of leisure; and he that hath little business shall become wise. How shall he become wise that holdeth the plough, that driveth the oxen, and whose discourse is of the stock of bulls? He will set his heart upon turning his furrows. So is every artificer and workmaster. So is the smith sitting by the anvil, and considering the unwrought iron. So is the potter sitting at his work, and turning the wheel about with his feet. All these put their trust in their hands; and each becometh wise in his own work. Without these shall not a city be inhabited, and men

shall not sojourn nor walk up and down therein. They shall not be sought for in the council of the people, and in the assembly they shall not mount on high. But they will maintain the fabric of the world; and in the handiwork of their craft is their prayer."

## CHAPTER THIRTY-EIGHT

### TEMPERAMENT AND PERSONALITY

IN EXTERNAL appearance James J. Hill was a man to hold the eye of any stranger who met him on the street or saw him in a gathering of men. He gave at the first glance an impression of immense reserves of power, and of the custom of command. There was about him a natural distinction which made it impossible that any one should fail to recognize in him, though still unknown, the unusual. "Who is that man?" would be the inevitable question that instinctively singled him out in a crowd.

Physically he was rather below the middle height, but powerfully built. His great shoulders and body to match were part of the equipment that had enabled him to brave the hardships of the frontier, and to undergo a lifetime of labours such as few men could sustain. Although he always drew relentlessly upon these physical resources and did not know the meaning of overwork or fag of brain or body, he did not squander them uselessly. Notwithstanding his impetuosity he was a temperate man. He smoked a good deal. He was not a teetotaler, but his habit was abstemious. One of the companions of his early days in St. Paul, when he shared

the escapades indulged in by the youth of the unlicked little community, said that when the fun was over and the drinking bouts began, into which such occasions often insensibly merged, he quietly vanished. He had too serious a view of himself and the work he believed to be before him to invite either physical or moral deterioration. He was a vigorous man to the end of his days. In his fishing vacations on his salmon river in Labrador, he tired out men younger than he by a good many years. He was fond of hunting, and walked when most men would ride. His innumerable journeys through rough country during the location and construction of the railroad, his pilgrimages among the farmers, and his personal supervision of experiments in farm methods and stock raising, carried on upon his own large properties, hardened his frame to iron. No severe illness had ever weakened him. Body was equal to the demand of even such a brain and such phenomenal activity. It never failed and never seemed even to decline until just at the last.

One who stepped into a hall where Mr. Hill was sitting on the platform with others, even though well behind them, would notice him instantly. The great domed head, set firmly on a torso longer than it seemed because so broad and muscular, rose above all others. In such a setting, one word alone—the one so often used—would describe him. His attitude, his air, were leonine. He sat there as if unconscious of the lord-

ship that the whole man proclaimed. At closer range you felt the piercing eye. His look had the quality found in all great leaders of men. It saw into and down and through. When he was roused to anger, his glance could smite without a word. There were few who cared or dared to face it then. The short, close beard that he always wore half hid the expression of the mouth. About the full lips there was the imprint of the open heart, understanding, and sympathy. Here, too, was the stamp of that strong sense of humour which saved intensity of conviction from becoming fanaticism, and earnestness from hardening into intolerance. The mouth, like the deepest nature of the man, was kindly.

His mode of speaking was all his own. Like his garb, like everything about him that he could fashion to his will, it was simplicity reduced almost to an extreme. If, as many eulogists have said truly, he "made two blades of grass grow where only one grew before," he also made only one word grow where two words grew before. He sought them as short and simple as could be found, provided they were adequate and true in the expression of an idea. He often spoke of "The Pilgrim's Progress" as a model of style. He preferred a word of Saxon family to one of Latin race. His speech and his writing went straight to the point. Ruthlessly he cut away from his work everything that did not seem indispensable to plain expression of the thought. He hated an unnecessary adjective as

much as he would have despised the painting of a fine picture on the side of a freight car. Informally, he could at need express himself with a vigour and directness that did not need explanation or invite repetition.

Almost all genius, every man without exception who has dominated other men and mastered opposing circumstances and forces, has been both helped and hindered by a capacity for mighty wrath. It is part of the equipment of success. Passion goes with power. Mr. Hill was no exception to this rule; and when his anger broke restraints, men ran to cover. He was the opposite of what is described by the term "ill-tempered." His normal attitude toward men, toward life, toward work, was expectant and appreciative. But he had tasks that would brook no trifling. The lion would have become entangled in the net if he had not broken its meshes at the first approach. He was impatient with incompetence. The mediocre must stand aside. He chose his helpers as the surgeon does his implements. The best would be none too good for his major operations. Relax the standards, let personal pity perpetuate the unfit in places of responsibility, and the stronghold would be turned into an asylum for incapables. His wrath broke on incompetence repeated; on the slack, on the unintelligent, above all on the dishonest or unfaithful. These cowered quickly away from the destroying blast that stripped them to the buff of cheap or impotent natures. He was troubled

by them no more. But he was gentleness and kindness itself to men who did their best and in whose best there was a promise of the superlative he sought. He would give one more trial, and yet one more opportunity. He wished that his helpers might make good. Not a few who served him in difficult and trying places for more than a score of years, occasionally surpassing his expectation and sometimes falling below it, but always doing their honest best, never had to meet the whirlwind of his anger, and never heard addressed to them a single unkind word from his lips.

To all who were capable and faithful he showed a beautiful loyalty. They never needed to give explanation or defence. They had not to fear the secret whisper of envy or jealousy or hate. Sometimes a letter containing direct attack or plausible innuendo designed to discredit a subordinate would be turned over to the man himself, with the remark: "That fool doesn't know what he is talking about." In the opposite direction his opinion was just as final. The employee who deceived him, who was caught "soldiering," who was guilty of any form of dishonesty, was struck out of his books. He could readily forgive; but his forgetting was also so complete that it was useless ever to mention the name of that stranger to him again. In one respect his temper was peculiar. It soared and broke and burned most fiercely when it clashed with little men and little things. He had no

use and no time for them. They were wasters of life, every moment and effort of which were needed for great designs. After a crisis, in a time of hope dispelled and opportunity destroyed, he was calm and self-possessed. When, for example, the unexpected decision was rendered in the Northern Securities case, and others were gloomy and inclined to wonder if they might not have done better or differently, he was in his gayest and serenest mood. He had not a word of blame for any one. He said that it was all over, and things would come out all right. That kind of temper can make its possessor a man, but cannot break him. It also develops affectionate loyalty in others. Many thought that in order to get on well with Mr. Hill it was necessary to humour him; that, if you dared to express your own opinion or question his, you needed to have a cyclone cellar handy. This was true enough if your facts limped or your logic stammered. It was just as true, it was inevitable that, determined as he was to get to the heart of all matters, he wanted to hear anything sound and well put. He would not squander time and effort in mental boxing feats. But if you thought differently from him about some serious question, and told him quietly and clearly how and why, no bombs burst about you. The man who dared to do this, because he believed it important that he should, found himself liked and trusted. Mr. Hill might not alter his views or his policy about the disputable matter

one iota, but he marked that man as worthy of his esteem and confidence.

Average human opinion clings as obstinately to faith in some magic talisman that will assure success as voodoo does to its tar baby. Articles are written and magazines are published about it. The plodder and the beginner are firmly convinced that if they could get the key to this spell "of woven paces and of waving hands," glory and honour and wealth would come out with banners to meet them. So Mr. Hill, like every other conspicuously successful man, was greatly pestered by people who besought him for his recipe. These believers in chance and luck and witches' broth and the philosopher's stone asked him to tell them how to succeed. His best answer was this: "As far as rules go, I would say that those that have helped me to succeed are, 'Work, hard work, intelligent work, and then some more work.'" Opportunity, as he often freely acknowledged, had favoured him. But it had waited for six years, in those old days, upon others as faithfully as upon him, and they had despised it. It is as young and generous and insistent to-day as ever it was. The difference is only in its mask, which continually changes. Wealth, oftener a hindrance than a help to success at the beginning, he and a thousand others have proved to be not necessary. These two conditioning circumstances, money and opportunity, are external, and neither is particularly important. The real sources

of success lie within: knowledge, foresight, courage, honesty, labour. Without these, an Olympian genius would decline to mediocrity. Take this prize list of qualities from the biography of Mr. Hill, and nothing would be left but some scraps of disfigured paper. Take them from his life, and no success would have been possible. His sympathy with young men of worthy ambitions made him willing occasionally to answer eager, childish questions. He did set down for them some rules drawn from personal experience that ought to be written where every boy might read them:

"A young man has always had to help make his opportunities, and he must do that to-day, as ever. But young men fail more nowadays than they used to, because they expect to reap almost as soon as they sow. That is the very great trouble with the young men of the present. They expect opportunities to come to them without application, or proper shaping of things so that opportunities will drift their way. You have to keep your eyes open and catch hold of things; they'll not catch hold of you, as a rule.

"If a young fellow doggedly bucks the world and circumstances without sense or reason all the time, he is liable to get nothing more than a sore head. He must know how to take advantage of opportunities, to use his brains; in short, a young man who has no brains ought at least to have enough animal sense to find it out, and

learn to depend upon and get what benefits he can from the brains of others.

"The working days and the working hours are those in which there is necessary work to be done, whatever time that may require. Spare hours are well spent upon the study of history, literature, and art. Whatever any able mind of great genius has given for the instruction or enjoyment of the world is worth while. Ample and accurate information is the best step toward success for every one; and the world of historic fact, economic fact, and scientific fact, with the bearing of each upon the probable future of human effort, is now so large that a man will find all his leisure too little for his desire to equip himself with knowledge. In books and pictures, as in practical things, only the best are worth any one's time and attention."

Here is his final word to young men: "The best advice to a young man, as it appears to me, is old and simple. Get knowledge and understanding. Determine to make the most possible of yourself by doing to the best of your power useful work as it comes your way. There are no new receipts for success in life. A good aim, diligence in learning every detail of your business, honest hard work and a determination to succeed, win out every time, unless crossed by some exceptional accident or misfortune. Many opportunities come to every man. It depends upon himself, and upon what he shall make of himself, what he makes of opportuni-

ties and what they will make of him." What he said to the young man and to the individual he urged upon every man and upon the community. He had sunk a shaft to the bedrock of human nature. Finding it everywhere essentially the same, he built upon it. To the members of a savings bank association who had invited him to speak at a dinner, he sent this brief but comprehensive letter: "Whatever encourages thrift in a people builds a sure foundation for their prosperity, security, and honour. Economically, the saving of some portion of earning or income raises barbarism to civilization. Morally, it leads to self-mastery and the wholesome pride that accompanies the sense of independence. Politically, it strengthens civic interest and virtue by giving men a stake in the state. The wonderful qualities shown by the French in the present war could be displayed only by a people that had raised thrift to the rank of a distinctive national virtue. More, perhaps, than any other, the need and the value of it should be impressed upon the people of the United States."

The divinity that shapes our ends—very often by shaping our beginnings—had sent him into the thick of life. One rule above all others he followed there. "Success with honour" was his motto. He would have no other kind. He was prouder of that unsullied escutcheon than of anything else in the world outside of his own home. Look back at the signal lights along

the chapters that have led up to this point. Remember how he had won wealth by serving his stockholders, his refusal to profit personally by anything they could not share, his "stand without hitching" promise made good in the fight over Northern Pacific, his proud word in the presence of culture as represented by one of America's great universities: "I never earned a dishonest dollar. I have never seen the place where a lie would take the place of truth." No man could go through his experience without having reason many times to doubt and distrust other men. It did not corrode his judgment. In 1907 he said in a public address: "If you listen to some, and occasionally the daily press, you would think that there was not an honest man doing business in the United States. And the bigger business a man did the bigger sinner he was held to be. In my opinion there are good and bad men in all walks of life. No great business can prosper permanently that is not built on principle and carried on along straightforward lines." On the same occasion he expressed his own code of action in words so modest that it is not easy to realize how noble is the profession of faith they imply: "I have got to stand by my record. If I have been able to do any good, I am glad. If I have made any mistakes, it has not been intentionally. If I have injured any one, I am sorry."

At different times in his life, Mr. Hill had a financial interest in one or more newspapers. In every case

except one, this was similar to his interest in a New York or Chicago bank, or in any of the numerous industrial enterprises that came to him with a sound business statement and a request for a loan. A paper, on changing hands, might need new capital; and, if he knew the country and the men, and believed both to be a guaranty of financial success, he would help to place a bond issue. Beyond that he would not go. He made no private use of the connection, and asked nothing except that interest and principal should be paid when due. The exceptional relation is his ownership of the St. Paul *Daily Globe*. The question has often been asked why Mr. Hill bought this paper and why, ten years later, he discontinued its publication. The true answer ought to be given, because it helps to explain the fine sincerity of the man. Perhaps I may be pardoned here for the use of the first person singular, because I was editor and manager of the *Globe* for two years after Mr. Hill purchased it and also for the last two years of its life. Mr. Hill bought it in the early part of 1896, primarily in order to keep it from becoming an organ of the advocates of the free coinage of silver. The *Globe* had passed through bankruptcy two years before. It had not got upon its feet when those who controlled it fell into the same plight. Before this time they had been approached by a wealthy owner of silver mines in Montana with a proposition to buy at any reasonable price. The big fight between the gold standard and the

silver standard was on, and would be decided definitely in the election of that year. The zeal with which Mr. Hill had thrown himself into the cause of sound money has been described. The *Globe* was then the only daily Democratic paper published in the Northwest. It was an institution of his own city. He did not want this or any other newspaper. He bought its entire capital stock to keep it from falling into the outstretched hands of the free silver people. Having bought it, he desired it to become a success. His only requirement of those who managed it was the publication of a clean and able newspaper, faithful to the Democratic traditions of Grover Cleveland's time.

Ten years of trial proved that the *Globe* could not be made a paying proposition. Mr. Hill did not drop it on account of pique, or for any other than a strictly business reason. The balance sheet which caused him to approve my recommendation that the *Globe* be discontinued showed, for the preceding month, under no exceptional conditions, an increase of $1,100 in circulation receipts and a decrease in advertising receipts of $1,500. This abnormal relation had become chronic, and resisted all attempts to change it. Circulation being rather a financial liability than an asset, unless advertising space and rates conform to it, to continue the business would have been absurd. Exactly as Mr. Hill bought the *Globe* because he did not wish a paper published in St. Paul to fall into hands that he might

not approve, so, now, for a similar reason, strengthened by the fact that his name had been connected with it, he directed that it cease publication at a given date, killed the news franchise, and ordered the plant broken up and sold. These are the facts of a transaction that cost Mr. Hill real disappointment as well as a considerable sum of money. During his ownership of the paper he said repeatedly that, if it could be made a paying property, he did not want and would not take a dollar from it.

It would be natural to suppose that a man of strong will and extensive business interests, especially when these were subject to almost continual public criticism or assault, should use his own daily newspaper to defend and promote his other properties and purposes. As a fact, this was furthest from his thought. During the four years when I controlled and decided the editorial and business conduct of the *Globe*, Mr. Hill gave me but one instruction. He told me to "make it a good newspaper and a credit to the town." Never, either directly or indirectly, did there come an order, a suggestion, even a hint, of any other thing that Mr. Hill would like the newspaper to do or not to do. His proud refusal was carried so far as to be embarrassing. A public question arose in which the public interest might, according to one's honest judgment, lean one way or the other. The policy of the paper and my own convictions were still unsettled. I knew that Mr. Hill's

financial interest in the matters affected by the proposed action ran into six figures, but did not know on which side it was to be found. I thought that he was entitled to be consulted before his own newspaper took its stand. So, for the first and only time during my connection with the *Globe*, I went to Mr. Hill to ask for his advice in a matter of newspaper policy. I stated the case to him just as it is stated here. This was his reply: "Mr. Pyle, when I put you in charge of the *Globe*, I told you to make it a good newspaper and a credit to the town. I have had no reason to think that you cannot follow that rule. You must go ahead and use your own judgment." I did so; but I did not know then and I never knew whether the position which the *Globe* took in that important matter was favourable or hostile to Mr. Hill's own interest. This is a fair sample of the man. Nobody knew the fact; some would not have believed it if they had been told. "Men are never at heart's ease while they behold a greater than themselves." But such was his idea of the proper relation between the business end and the editorial end of a newspaper. He would have hated a press influenced for him against its will just as much as he despised one prejudiced against him. He did not believe that any newspaper had a right to live or to wield the baton of publicity unless it could be absolutely fair, fearless, and free.

Personal publicity he sincerely disliked. He would do what he thought proper for the success of an idea or a

cause close to his heart. But he detested anything that turned the limelight on himself. There was not one atom of personal vanity in the man. In 1886 he was still new to power, and newer yet to the Eastern public. His railroad was racing across Montana, and its Pacific extension was yet to be financed. A little judicious personal advertising might have helped a lot. An important financial journal in New York wrote for his picture. He answered: "While I appreciate the courtesy of your request, I have no desire to have my portrait published; and your president will therefore, I hope, kindly excuse me if I do not send my photograph." In 1891 a writer of national reputation, who was also a personal acquaintance, requested material for a sketch. He refused, with this gracious palliative of the blow: "It is much more pleasant to have our friends think well of us than to have our acts published." The collector for an educational institution had the bad judgment to suggest in his letter that the names of subscribers would be published, and the denomination and nationality most concerned would take notice. The reply to this was delivered without gloves: "I note what you say in regard to its being of some personal advantage to me through the publication of names. I beg to say that anything contributed by me would do as much good without publication of my name as with it; and for myself, I do not seek preferment among any class of citizens." Needless to add that no check ac-

companied the biting comment. Whenever any concern was unwise enough to make a suggestion like this, it went permanently on the blacklist.

Mr. Hill had a keen sense of wit and humour. What lightened the rude days of his youthful life with practical jokes and ready repartee became, with years and mature taste, a lively appreciation of the humorous. He was always ready to listen to a good story and to tell one, with that merry twinkle of the eye that changed him from a ruler of men to a comrade. He could repeat pages from Bon Gaultier or Father Prout. He saw the funny side even of serious things; and, if they became too serious, could pass easily to sarcasm that bit and stung. It is a pity that comparatively so few of the tart and amusing anecdotes and illustrations with which he sprinkled his offhand talks to farmers and others have been preserved. No one knew better how to make a point and clinch it with some homely reference to the daily life of those about him; some story about the people who had come in Minnesota's early days in such numbers from the state of Maine that he said he knew any man who had not come from East Machias must have come from South Machias. But the finest flavour of these things is lost when they are not accompanied with the cock of the eye, the wrinkle of laughter about the mouth, and its hearty rumble in the voice. When the friends of the president of the Santa Fe railroad system were getting up a birthday book for him, they

sent to Mr. Hill asking for a suitable quotation. Here is what he gave them from the old delight of his boyhood; an extract from Plutarch's "Life of Caius Gracchus": "His most especial exertions were given to constructing the roads, which he was careful to make beautiful and pleasant, as well as convenient. . . . When he met with any valleys or deep watercourses crossing the line, he either caused these to be filled up with rubbish, or bridges to be built over them, so well levelled that, all being of an equal height on both sides, the work presented one uniform and beautiful prospect. . . . For these reasons, the people highly extolled him, and were ready upon all occasions to express their affection toward him." A charitable woman sent to a large number of the most prominent men in the country, asking each to send her a fable, or a limerick, all of which were to be published and sold, and the proceeds to be used for pure milk and nursing for sick babies. To this cause Mr. Hill contributed the following. They connect delightfully with his two central ideas of the railroad and the farm:

*The Equine and His Equal*

A Lean Horse once Looked over the Fence into the Next Field, and saw a Lean and Rag-ged Man Spad-ing the ground. "Let Me in There," he said; "I will Work the Soil for you while you Feed Me, and we will both grow Fat and Sleek."

"You're On," said the Man; and He and the Horse were Prosper-ous and Hap-py until they both Waxed Fat and Saucy. Then they Got Mad at each other, and the Boss said he would Show that

Plug that a Man can Kick Hard-er than a Horse. He put a Mus-sle on the Poor Beast and Gave him Oats at the Rate of One Grain a Day, and the Neigh-bours Sat up Nights to keep him off the Grass.

Soon the Horse was too Weak to Work any More. So the Field was Ne-glect-ed, and he and the Man both Starved to Death. Before he died, the Wise Guy said to the Weep-ing Crowd: "This is Your Fu-ner-al too, my Fool Friends. Let me Hand you this Mor-al to Frame and Hang over your Emp-ty Din-ner Tables: 'The Mare Makes Money Come Just As Fast As Money Makes the Mare Go.'"

And here is his double-barrelled limerick:

*The Farm*

"There was a young farm in the West,
So much over-worked and hard-pressed
That it wearily said:
'I'll just take to my bed
And drop through to China to rest.'

"But alas! when the roots of the trees
Caught the eye of the frugal Chinese,
They proceeded to pounce,
And to plant every ounce
Of that Farm to Potatoes and Peas."

When he presented to the authorities of the Roman Catholic Church the seminary in St. Paul, he asserted, in words already given, his belief in the necessity of religious education for the highest development of the individual and the safety and security of the state. That belief included all varieties of faith and all kinds of institutions. In an address at the dedication of a building of the North Star College at Warren, Minnesota, he said: "No nation can exist without a true religious

spirit behind it. Laws that forbid teaching Christianity are the weakest things in our government. I hope to see the Decalogue in every schoolroom. The Bible will be the measure of the mental growth of this republic and of the prosperity of our nation." On a similar occasion, in 1910, at the University of North Dakota, in which he took a great interest, he amplified his thought: "I was glad to hear the President of the University of Illinois speak so kindly of those other institutions of learning, the denominational colleges. They have their place. Nobody has greater interest in the young men or the young women than the mothers and fathers who send them out to get their education. I can realize the anxiety of that mother at whose knee they have been taught from early childhood to repeat their morning and evening prayer, when she sends them away to build up mind and character, if character is to be built up away from that personal influence, and from the influence and support of Christianity. It will not be strange if some of them come back with their minds filled with doubt. I do not care what the denomination may be. If they are true to their own profession they will do a great deal of good, and never will do any harm to any other denominational institution. I feel a deep interest in this matter because there has been a tendency at times for young people to go astray, not because they have more knowledge but because of their want of knowledge. Truth will never conflict with

truth. You can magnify it and add to it and it will always be harmonious. There will never be a real conflict; and all natural law can be applied as far as we have the intelligence to apply it. All scientific investigation can be carried to a limit beyond our comprehension if we pursue it far enough. But when we come to the spiritual, it is limited, as far as we are concerned, to what is given us through revelation. There is no conflict, there can be none between the state university and what are sometimes called fresh water denominational colleges." Struggling colleges from all over the Northwest came to him for help. They did not come in vain, provided they were conducted under the auspices of some religious denomination. Most of the pupils of these institutions, he said, came from country districts and had been brought up under religious influences. The time of first leaving home is one of upheaval for boy or girl. If, in addition to home associations, the religious influence is withdrawn, there is great danger. Mr. Hill had a profound sense of the value of religious experience, not only to the individual but to the state. No government, he often repeated, has ever been stable unless there was some strong religious conviction in its people. So his interest in education that should not be divorced from faith was threefold: for the soul, for the nation, for the spread and permanence of divine truth itself.

Behind the life of activity in the world, and the prep-

aration that he deemed most suitable for it, stands the home. He saw in it the only human force that can create and maintain character. He paid to it this fine tribute: "The home is the centre and anchor of life both for children and parents. It gives happiness to one and forms the character of the other. All after life is built upon the home life; from it the first and best and most lasting education is drawn. A boy or girl who is taught there to be obedient and affectionate and considerate of others, to look forward to making the best use of whatever opportunity life may bring and who receives, after leaving the home, such education as the best schools and universities have to offer, has all the preparation for after life that there is to give, and one that should not often fail. This is a method many years old, but I do not know that it has ever been improved upon." No wonder that he felt this strongly. The essence of his native qualities came from that little house near Guelph, where stern yet kindly influences had shaped him for what he was to become. His own home, which had surrounded him for almost fifty years with ideal happiness, expanded and completed the character and conviction of the man. He had brought up his big family in tender intimacy with him. Two of his sons have been mentioned in their association with his labours and their own independent achievement. The third, Walter, abounding in natural energy and enthusiasm, was more attracted by his father's work for

the farm than for the railroad. He engaged in farming on a large scale in the Red River Valley, taking especial interest in the growth and improvement of live stock. One of Mr. Hill's seven daughters died in infancy. Of the six who survived him, Mary married Samuel Hill, of Seattle; Ruth became the wife of Anson McCook Beard, of New York City; Charlotte, the wife of George Theron Slade, vice-president of the Northern Pacific, residing in St. Paul; Gertrude, the wife of Michael Gavin, II, of New York City; Clara has not married; and Rachel is the wife of Dr. Egil Boeckmann, a St. Paul specialist.

Away back in the years when he was building into Montana a railroad which jeering critics told him could carry nothing but buffalo bones, and when even those who supported him had to "walk by faith and not by sight," he said to one of his close friends: "To the support and loving patience of my wife I owe more of my success than to anything else in the world." He repeated that without the change of a word to the end of his life, on those rare occasions when he was moved to give a glimpse of that withdrawn self which very few were privileged to see. Most intimate and greatest of his traits was his intense devotion to his family and the life of the home. Here, on ground too sacred for intrusion, it is fitting to mention only things known, spoken, openly lived through long and happy years. No other interest on earth could for a moment compare

with that he felt in those closest to him by the family tie. He could listen like a stoic to news of some great financial or industrial disturbance that presaged a war of giants, but the suffering or danger of one in his own household would wreck his firmness and change his imperturbable self-confidence to doubt and fear. Whenever you could not find him in his office or elsewhere that business called him, you knew that he was to be reached in his home. There struck strong and deep the roots of his being. There was the inspiration and support of his wonderful career. Great souls are, by their very quality of greatness, often doomed to loneliness. It was not the fate of Mr. Hill. Understanding, sympathy, companionship were the return given to his lifelong devotion by those who were dearest to him. Did he have a clear mind, clean hands, and a pure heart? There was a shrine there before which the light burned always.

Mr. Hill was the simplest and most democratic of mortals. He hated all ostentation. He would rather wear a suit of old clothes than new ones. Democracy in him was not merely a matter of indifference to external show, it was of the mind and heart. He never made his own position or power unpleasantly felt, except in the presence of presumption or inefficiency. In his heart he delighted to find in any man with whom he came necessarily into contact some quality to which his own nature responded. He passed his judgments, sometimes unsparing and always keen as a sword, more

readily on those in high places than on those of low estate. He fraternized with the men whom he had learned to appreciate and who, in their turn, had learned to value and love him. He was freely accessible. Unless his day were already apportioned to business necessities, anybody might see him. He would walk in upon a subordinate at any hour and chat with the familiarity of a business partner and a personal friend.

Reference was made in its proper chronological place to Mr. Hill's knowledge and love of pictures, and to the collection of paintings that he gathered through the years. This did not represent a passing attraction; but the gratifying, so soon as it became possible, of a side of his nature as pronounced and characteristic as its more familiar and practical forms of expression. He was a born artist. He had that unerring appreciation of artistic values and that inner responsiveness to the appeal of the beautiful and the true upon which the kingdom of art must be built. As soon as he had a home, Mr. Hill began to adorn it with pictures of the best-accepted standards of the time. They helped him to gratify and express a feeling which had found little to feed upon in the crude atmosphere of the frontier and the circumstances of his strenuous life. In the eighties of the last century, he got hold of a Corot and a Rousseau, brought them from the East and placed them in the small collection he already possessed. It was like the opening of new

doors that let in abundant light. More remarkable than his self-education by books and reading was this silent self-education in the lore of art, through contemplation of its best examples and comparison of painter with painter and school with school. These two new pictures gave him new enthusiasm, delight, and inspiration. He himself said, expressively, that they "drove the others out" of his gallery. From this time he set his standard. He chose what appealed to him; not to the moment's fancy, but to the artist who stood critically back of the man, and was satisfied with nothing but the best. To the end of his life he would pass hours in study and enjoyment of his masterpieces. If any of them failed under the test of such scrutiny and personal interpretation, it was banished. He cared for nothing but the superlatively good; and though his knowledge ripened, it would scarcely be true to say that his taste in pictures changed materially after the revolution of that first revealing flash. For it was less a product of education than a part of the man himself. During the last weeks of his life he spent several hours of each day among the pictures that were still, as they had always been to him, a source of deep delight.

This is a matter upon which the expert should be heard. One of the best judges of art in this country, who knew Mr. Hill well, expressed in a letter, written after his death, this opinion: "In 1886 Mr. Hill already had a miscellaneous collection of

rather old-fashioned pictures, the only ones he had had a chance of seeing, good in their way and, though not first class, superior to all those in the collections made near him. At that time subject and composition made the strongest appeal to him, but he already had an eye for colour and quality. A number of pictures then unknown to him, works of the 1830 school, were shown to him. As soon as he saw them, he became an admirer of the works of Corot, Delacroix, Millet, Rousseau, Diaz, Daubigny, Dupré, Decamps, and others. He bought with taste and discrimination and in a few years made what is certainly the finest and most complete collection of that school in this country. What was remarkable were the facility and readiness of Mr. Hill in art matters. Had he had more time, he would have been a great art expert. He could talk most interestingly about everything pertaining to art and to the artists whom he knew and admired. His perspicacity was really great. Although his collection was composed of works of the older men, all anterior to 1870, he understood from the first the greatness of the modern so-called Impressionist School. As far back as the eighties he acquired some works of Monet, Renoir, Jongkind, and others, and often complained that he could not place them with his other pictures unless he built a new gallery. He fully understood Puvis de Chavannes, and gave that artist an order for a large decoration for his St. Paul home. It was not carried

out because of the artist's death. Altogether, Mr. Hill was as brilliant in the world of art as in that of practical affairs."

That is the testimony of a man whose business was to know pictures thoroughly, and to view critically works of art, schools, methods, and purchasers. Equally emphatic are the words of a collector, a personal friend, one of the few whose knowledge and taste were equal to Mr. Hill's own. This friend said this of him: "America had no more intelligent connoisseur of modern art than Mr. James J. Hill. He was born with that absolutely indispensable qualification of any art collector, a sense of quality. This was highly cultivated and enlarged as the result of keen observation, study, and experience. To an extraordinary degree he appreciated and loved what was beautiful, with a very unusual ability to discriminate between what might and what really ought to please. His examples of the Barbizon school were unsurpassable. Not one of them was bought because a dealer recommended. All were acquired upon his own judgment, because of their appeal to his refined taste. Whenever he found himself the owner of a work which matured judgment taught him was not of the best, he parted with it. No matter how the burdens of business pressed upon him, he always turned with pleasure to the contemplation of works of art. The fact that a painting was the work of an artist of great reputation was nothing to him. It was not the reputation of the painter,

but the painting itself which must make its appeal. The works of the men once thought great, which encumbered and disfigured too long many of the most important collections of the country, had no welcome from him and found no home with him. An enthusiastic love of art was an essential part of himself, all the more admirable because of the gigantic business undertakings which occupied him so greatly and incessantly. While he will always be remembered by the nation at large for his great constructive genius and successes, those who care for art will always remember him as one of the few great collectors who relied, and were able to rely, upon their own judgment."

These expressions of authoritative opinion place in a clear light the side of Mr. Hill's character related to art, as the term is used ordinarily. But the whole truth is broader and deeper. Not only was he a born judge and lover of fine pictures, but he responded in all things to the appeal of the beautiful. This is the artistic temperament in its completest expression. It was Mr. Hill's inheritance. It gave him secure touch in many fields. Keats's words are more practical than we dream; kinship with beauty in the abstract is a talisman even in the search for concrete truth. Mr. Hill loved jewels, and knew them as he did pictures. It was cause for wonder that he, who had suffered all his life from the handicap of sight through one eye only, should be so absolute a judge of pictures, should be able to take

two pearls or sapphires in his hand, not distinguishable from each other to the untrained vision, and with scarcely a moment's delay accept one as satisfactory and reject the other. Yet minute examination would show that the almost imperceptible departure from the perfect in form or colour or lustre was actually there. He loved fine rugs, and knew them as perhaps few persons in this country did. He had a feeling for beautiful china; and whenever a set or a piece that he admired appeared on the table he noticed it and remarked upon it. The essential thing is that in all these so different lines of artistic expression he had his gift from nature. His comprehension of art was very little acquired, almost wholly intuitive. He felt the beautiful before he could explain it. He responded to the spirit of beauty wherever he found it embodied. This was a great and wonderful gift; without an understanding of which any appreciation of the temperament and personality of the man would lose much of his native vitality, warmth, and charm.

Perhaps this gift was identified with the Celtic quality in him that showed itself in many other ways. He had a passion for things characteristically Scotch. A copy of Burns furnished reading for his early youth. He knew the poems from beginning to end; could repeat pages of them offhand. The pibroch and the kilts always brought a gleam to his eye and a smile to his lips. With an intimate friend, whose blood came from

the land of the thistle, he would spend an entire evening capping quotations, repeating ballads, and singing snatches of them one after another. Whenever at an entertainment his hosts wanted to give him especial pleasure, they arranged for a skirl of the pipes and a Highland fling in national costume by Scottish performers. He never forgot a Scotch face or friend. He had something also of the Celtic feeling about intimate places and natural objects. He felt this way about the Mississippi River. Up it he had voyaged to St. Paul. On its banks his early business life had been spent; up and down it went the commerce by which he lived; from it he learned the lessons that were to bring ample repayment. That old life was magically and almost mystically dear to him. He knew the original name of every place on the river's banks, of all the old boats, of spots which the vagaries of the current had stranded miles inland or buried under invading waters. It made him happy to follow the banks of the stream on his trips between St. Paul and Chicago, as if he were accompanied each time by this old friend. His love for the freshwater pearl was no doubt partly due to the fact that so many specimens came from the shallows of theMississippi. Here are different sides of a strangely complex being: disciple of the beautiful and of the practical; full of powerful and generous emotion, while accepting every conclusion of a stern logic; master and director of multitudes of men, yet as full of sport and jest and

laughter-raising inventions in his home as a boy just out of school. Of such is the kingdom of the artistic temperament; which on one side reaches out to ineffable and blinding mysteries, and on the other touches homeland in the heart of a child.

He was one of the most universally informed men of his time. Not only had he expert knowledge of pictures, but he had also studied architecture carefully. He was a connoisseur of precious stones. His acquaintance with literature was both wide and thorough. He knew the best book on almost every subject under the sun, and could name it to you offhand. He had a large number of them in his private library. This collection covered not only the useful arts, the fine arts, the sciences and human records, but pure literature as well. He knew the great masters without exception. Like many people, he had little appreciation of Browning. But of other rulers in the realm of poetry and prose he could repeat pages at will, and did so with relish. His taste and his selective judgment were as marked as was his ability in the so different line of his daily activities. He would ask if you had read such and such a work on some subject—history, economics, philosophy, psychology—perhaps when it had barely reached the reviewers, perhaps when the foreign publisher had not yet put it on the American market. You did him a favour if you recommended to him some book of which he had not heard and which made an

actual contribution to human knowledge. He would suck it dry in a few hours, and henceforth everything worth while that it held was his possession for ever.

Mr. Hill was a most companionable man. He loved the society of old friends, who always were welcomed. No man could be more gracious in the reception of a visitor. It pleased him to recall, in company with others, things that were a part of his past and theirs. He was eager to discuss current events, new ideas in science and industry, tendencies in the thought and action of the time. What a man of the ancient world said of himself could be said of him: that nothing pertaining to humanity was alien to him. His penetrating analysis sought out and his intelligence grasped the meaning of these things just as it attacked the ordinary work of his life. He would, in a leisure space, spend two or three hours in such discussion; passing from theme to theme, wasting no words, rounding a principle with its historical support or disproof, anticipating its probable operation in the future. He gave to such moments the same earnestness and delight that others give to their amusements; and, in the same way, they seemed to give him relaxation. His mind was absolutely tireless, and its edge always undulled.

He was an enthusiastic admirer of Napoleon. Genius is intimately allied only to itself. When it can be forgotten that the spheres in which these two men worked and the ultimate purposes they put before themselves

were as far apart as the antipodes, striking correspondences of quality and of method appear. Taine, in his "Origines de la France Contemporaine," gives a marvellous analysis of Napoleon, much of which might be transferred to these pages, so apropos is it of their subject. The man himself, too, speaks: "I," said Napoleon to Rœderer, "I work always. I ponder things deeply. If I seem always ready to reply to anything, to confront anything, it is because, before undertaking anything, I have thought it over for a long time; I have foreseen everything that can happen. It is not genius that reveals to me suddenly what I must say or do on occasions which take others by surprise, it is reflection; meditation. I work all the time." Mr. Hill, in his way, obeyed the same law for overcoming; spoke words identical in their purport with these. They give a verbal portrait of him as exact as if drawn from life. He measures up to this colossal standard in achievement. In moral perception and spiritual fidelity he passes immeasurably beyond. He gave a life and a labour like this to the great human experiment, in its entirety, upon this planet. Since that experience, the "great adventure" of humanity itself, goes on unfolding endlessly, he is sure of the only earthly immortality.

The inmost nature of such a man must find its true expression and interpretation in the acts of his life taken as a whole. That is the law by whose light it has been studied and all these pages written. If it has been

difficult to analyze his work as a railroad man or an agricultural reformer or a financier or an economist, and state the abstract conclusion in a few clear terms, how supremely difficult to apply the same process to the man himself! Essentially, it cannot be done. He was too many-sided. His thought caught and held too many far-off things; reflected from too many facets the light of tallow candles in cottage windows and of fixed stars and nebulæ away in uttermost space. Yet whoever has followed sympathetically and would bring together the separate threads of this extraordinary life can find a clue. One broad generalization, complete and true, speaks the final word.

James J. Hill was temperamentally one of the greatest educators that the world has seen. He had all the intellectual and spiritual qualities for it. He had the vocation. He had a passion for imparting knowledge. His norm was truth. He wanted to know the exact facts, all the facts, about everything. When he had them, scientifically ascertained and classified, he drew from them their laws by the inductive method to which science owes its all. Then he cast a horoscope. Next, knowing precisely what the individuals and communities that these laws would exalt or destroy ought to do to find one fate rather than the other, he must tell them. He was burdened with the duty, as a physician feels that he must warn his patients what their symptoms mean; open before them the two highways that

lead to life and death. According to one or another of many different series of circumstances that might conceivably have wrought upon his boyhood and youth, he would have become a great scientific investigator, a great soldier, a great discoverer, a great priest or missionary, great in almost anything involving research and leadership and service. But in any of these avocations he would still have been a great educator. And such he was where life actually did call him. Read almost any of his letters or speeches, take the concrete facts of his life, listen to him as he talked to railroad men or farmers or congressmen or financiers, and you will perceive, through all and first of all, the man who has got hold of a bit of the truth, worked it out until it is all certitude, and now flames with the inextinguishable desire to pass it on to others. The possession of accurate knowledge, the determination rising to a sense of duty that others should know as well, and the kindly and catholic sympathy which alone can keep the torch alight as it is carried from mind to mind and from soul to soul—by these the born educator enters into his kingdom. They picture, feature for feature, the character, the temperament, the abiding individuality of James J. Hill.

# APPENDIX ONE

## FIRST PROPOSITION MADE TO DUTCH BONDHOLDERS BY HILL AND KITTSON

*St. Paul, January 29, 1877.*

JOHAN CARP, ESQ., % Messrs. J. S. Kennedy & Co., New York.

DEAR SIR: Referring to our interview with you in regard to the purchase of the First Division of the St. Paul & Pacific R. R., with its railway, equipment, property and franchises, we are now prepared to make and do make you the following proposition, viz.:

We will purchase the Main and Branch lines of the First Division of the St. Paul & Pacific R. R. Co., together with the equipments, franchises, and all other property and privileges now owned by that corporation, and will pay therefor, on delivery to us of a perfect title, vesting in us, under such corporate name as we may adopt, said railroad and its franchises, and all other property, clear of incumbrance, the sum of ($3,500,000) three million five hundred thousand dollars in cash, and will also, as a part of the purchase, deliver to you a release of all the unsold lands covered by the land grants to said company (amounting at present, we believe, to about 1,100,000 acres), and also of all balances unpaid on lands of the company heretofore sold and now outstanding, we retaining all other properties of all kinds, franchises, equipments, etc., now owned by or belonging to said R. R. Co.

It is understood that if this proposition is accepted by you, that the foreclosure proceedings now pending against said R. R. Co. shall be pressed to a completion and sale without delay, and the title to the railroad, franchises, etc., made and possession delivered to us with as little delay as possible, and at the earliest practicable day.

A land department, or such other organization as your committee

shall deem best, and to be controlled and managed by the committee at its expense and charge, shall be continued by the new corporation as a part of its organization, for the purpose of enabling the committee to make sale of said lands, and a land scrip issued, bearing no interest, to be used in payment for said lands; or such other plan for selling the same may be adopted as your committee shall deem most expedient.

A fair and equitable running arrangement and connection shall be entered into, at the time of completing the sale hereby provided for, between the lines of the First Division R. R. Co. and the committee representing the Brainerd and St. Vincent lines of the St. Paul & Pac. Co., as now situated, or as they shall be hereafter completed.

Should this proposition be accepted, it is desirable that we should be informed thereof at an early day, in order that we may be prepared to make promptly all necessary arrangements for the execution and performance of the contract to be entered into between us.

We have suggested the plan of a land scrip, for the reason that we believe it would be the most convenient way to handle it, as the lands now unsold could be classified and valued, and scrip issued to the amount of the valuations so made. This would also have the advantage of making the balance now unpaid on lands already sold (about $400,000) payable in cash. The average price of lands sold by the R. R. Co. during the past year would make the amount of scrip to be issued over $7,000,000.

We expected when we saw you to make an offer for the St. Vincent & Brainerd extension lines, but the affairs of that company are so complicated that we are unable to learn what the property fully consists of; and again, the bonded indebtedness is so very heavy that any offer we would be likely to make would look very small to those who have put so much money into the enterprise. We believe that the location of the portion which lies in the Red River Valley is the very worst that could have been made, being located for over two thirds of the distance on the very lowest ground, and subject to overflow almost every spring upon the melting of the deep snows of that latitude. The writer has seen

the greater part of the distance from say ten miles north of Crookston to within 12 miles of Pembina or St. Vincent covered with water from two to six feet in depth, and this in the spring of 1870.

We refer you to the fact that although there was 104 miles of that road built in 1872, there have been no settlements made or farms opened outside of a narrow strip on the Red Lake River, up to the present time, and the road has earned nothing from its local business. During the time since 1872 the country on the west side of the Red River, which then had no settlers whatever, has become comparatively well settled, and one county has the past season raised 100,000 bushels of wheat to sell.

You may think that the contest over the land grant has kept settlers from making homes alongside the railroad. Such is not the case, however, as the land grant covers only half the lands, leaving the other half open to settlement or free homesteads; but the land on the west side of the river is much higher and not subject to overflow, and the consequence has been that settlers have gone from 20 to 50 miles away from the railroad in preference to opening their farms alongside of it. These facts lead us to the conclusion that the only business the St. Vincent line will have to depend upon is the Manitoba trade, for which steamers on the Red River will always compete, no matter who owns the road; while the rich and rapidly growing country on the west side of the river will eventually demand another railroad, and thus make another competitor for the through business.

If we owned the St. Vincent extension to-day, we would cross the Red River between Moorhead and a point 25 miles south of the Red Lake River, and build every mile of new road on the west side, and thus secure the commerce of the west side for a local traffic.

As to the Brainerd line, we beg to say that we think its completion would only benefit the Nor. Pacific R. R., and would injure the Main line by taking the business which would go to and from St. Paul via Glyndon if a proper connection were made; and would injure the Branch line by opening a competing line for trade from the Sauk Valley to Lake Superior; and as it would have to depend on the Nor. Pacific for business, it would have to carry at very low

rates as against the line from Duluth to St. Paul now used by the Nor. Pacific for that business.

You will pardon us for saying so many things against the St. Vincent and Brainerd lines, but our excuse is that they are all true; and while it may not be the kind of information which led your people to invest in the bonds of that line, we sincerely hope that you will employ some disinterested party, in whom your committee have full confidence, and let him quietly examine the country in all bearings on both sides of the river, having in view the fairness of our statement, and when he has reported we will make you an offer for those lines. Or, for the purpose of obtaining a fair valuation of the property, you might select a professional engineer, whose reputation and knowledge would entitle him to confidence, and we would do likewise, and they two could select a third, to constitute a board to examine and report the facts and value of the road as it now stands; and we are inclined to think we would be satisfied with their valuation.

Should our proposal to purchase the First Division be accepted, we would be ready to build a short line to connect the Main line with the St. Vincent track south of Glyndon, and make any fair and equitable arrangement for running connection or joint operation, so as to make the entire through rate from St. Paul by rail to Fisher's Landing or even through to Manitoba one interest, believing as we do that there are at the present time all the facilities by rail and river that the business will call for, or that can be profitably operated, for the next ten years.

However, if your committee desire to make an offer at which they will sell the railroad of the St. Vincent and Brainerd line, they retaining the lands, etc., we will be glad to do what we can to meet their views consistent with our ability to pay interest on the purchase, and we think an arrangement might possibly be made whereby the committee would get the benefit of local sympathy to secure whatever legislation would be necessary.

In other words, we do not wish to misrepresent your property in any manner whatever, but we submit that its true value has never been fully understood by your committee, and for that reason we again ask that your committee take steps, either for yourself or

jointly with us, to determine the present value of the property and its probable future.

We only desire to arrive at what is fair, and will be ready to act at all times on that basis and aid you to a settlement of the whole matter.

If there is anything in this proposal that would have to be modified without materially changing its terms, we would be ready to make such change or modification.

Your early reply will oblige,

Yours very truly,

N. W. KITTSON,

JAMES J. HILL.

# APPENDIX TWO

## OFFER FOR OPTION CONSTRUED AS OFFER TO PURCHASE

*Saint Paul, May 26, 1877.*

JOHAN CARP, ESQ., Attorney and Agent, Bondholders' Committee, Utrecht, Holland.

SIR: I cabled you from Montreal on Monday last, the 21st inst., as follows: "Finances arranged. Letter on Friday."

I now beg to inform you that I have made arrangements with George Stephen, Esq., president of the Bank of Montreal, and the Honorable Donald A. Smith, commissioner of the Hudson's Bay Company, representing Canadian and English capital, who have agreed to furnish the money in case we shall conclude a contract with you for the purchase of the bonds of the Main and Branch lines of the First Div. of the St. Paul & Pac. Railroad Co., and the Extension lines of the St. Paul & Pac. Co., held by your committee, as per your letter bearing date New York, February 28, 1877, that is to say—

| | | | | |
|---|---|---|---|---|
| $ 675,250.00 | of the | 1,200,000 | issue | Branch Line. |
| 796,000.00 | " " | 2,800,000 | " | " " |
| 1,264,000.00 | " " | 3,000,000 | " | Main " |
| 4,057,000.00 | " " | 6,000,000 | " | " " |
| 12,000,000.00 | " " | 15,000,000 | " | Extension" |

After a careful examination of the property, we have determined upon a valuation of the whole, on the basis of which we are prepared to purchase the several issues of bonds (with all unpaid cou-

pons attached) held by your committee as above specified, at the following prices—

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| For the | 1,200,000 | issue | 80 | cents | on | the | dollar | of | face | of | bond. |
| " " | 2,800,000 | " | 20 | " | " | " | " | " | " | " | " |
| " " | 3,000,000 | " | 35 | " | " | " | " | " | " | " | " |
| " " | 6,000,000 | " | 40 | " | " | " | " | " | " | " | " |
| " " | 15,000,000 | " | 11 | " | " | " | " | " | " | " | " |

While we consider the above prices an equitable valuation for the respective classes of bonds, your committee may make such changes in prices as they think best, provided such change in prices does not increase the aggregate amount to be paid by us.

If the purchase is made, the bonds are to be delivered in London, England, at such banking house as we may select, and to be paid for on such delivery.

As the amount required for the above purchase is large, and is to be furnished by our friends, we desire that as short a time as possible should elapse between closing the contract and the time fixed for the delivery of and payment for the bonds, in order to avoid contingencies which might happen during that period.

In case, therefore, your committee is prepared to sell us the bonds on the terms above mentioned, we shall require 60 or 90 days (the latter if possible) after receipt of advices from you to that effect, in which to take the necessary steps for completing the transaction by closing the bargain and obtaining the necessary funds to pay for the bonds.

Upon receipt of this we ask that your committee shall advise us by cable as soon as possible if they are willing to dispose of their bonds on the above terms, also naming the time for closing the transaction.

We hereby beg to withdraw our former offer for the First Div. lines. I have the honor to be

Very respectfully,
N. W. KITTSON.
JAS. J. HILL.

# APPENDIX THREE

## MR. HILL'S ESTIMATE OF THE COST AND THE VALUE OF THE ST. PAUL & PACIFIC

### A

*Saint Paul, September 1, 1877.*

DESCRIPTION OF ROAD AND PERSONAL PROPERTY

| | | | |
|---|---|---|---|
| Branch Line | St. Paul to Sauk Rapids | 76 | Miles |
| Main " | St. Anthony to Breckenridge | 207 | " |
| Extension " | St. Cloud to Melrose | 35½ | " |
| " " | Brainerd South | 4½ | " |
| " " | Red River Valley Portion | 104 | " |
| | Total Miles Completed Road | 427 | |
| | Add Total Miles of Side Track | 28½ | |
| | Total Miles of Track | 455½ | |
| Red River Valley R. R. | Crookston to Fisher's Landing (Completed line, iron owned by Extention Co.) | 10 1/7 | Miles |
| Breckenridge Cut-off | Breckenridge to end of track south of Glyndon, now building by Bondholders' Committee, to be completed October 20, 1877 | 34 | " |
| Lines of which the grading is nearly complete | End of track north of Crookston to St. Vincent, about | 67 | " |
| | Melrose to Glyndon, about | 102 | " |
| | Sauk Rapids to end of track, South of Brainerd, about | 51½ | " |
| | Grading nearly completed | 220½ | " |
| | | | 415 |

| | | |
|---|---|---|
| Rolling Stock, Main & Branch Lines | 26 Locomotives | |
| | 12 First Class Pass. Cars | |
| | 5 Second " " " | |
| | 14 Baggage and Express Cars | |
| | 217 Box Freight and Stock " | |
| | 156 Flat Lumber and Coal " | |
| | 10 Caboose Pay and Other " | |
| Total Cost of Rolling Stock as per Company's books..... | | $821,068.90 |
| All in good order and repair and estimated to be worth at least 50% of cost..... | | 410,544.45 |

Trustees' Valuation and Inventory made October 10, 1876, of which the supply of Lumber, Wood, Ties, etc. has been increased.

| | | |
|---|---|---|
| Main & Branch Lines.. | Machinery, Tools, etc., in Shops not including Supplies of any kind.. | $61,022.04 |
| | Stock on hand in charge of Machinery and Road Dept. Supplies, Lumber, Ties, Wood, etc..... | 228,152.48 |
| Extension Line..... | 2,800 tons new Iron at Glyndon at $40.00 ..... | $112,000.00 |
| | 1,700 tons new Iron at Duluth at $35.00 ..... | 59,500.00 |
| | Ties, Switches, Frogs, Spikes, Fish Plates, etc., Est..... | 40,000.00 |
| | | 211,500.00 |
| | Less for duties unpaid Iron at Duluth..... | 28,000.00 |
| | | $183,500.00 |
| Main & Branch Lines.. | 850 tons old Iron partly worn out at $20.00..... | $17,000.00 |

REAL ESTATE OUTSIDE OF LAND GRANT

| | | |
|---|---|---|
| Branch Line..... | St. Paul Depot Yards Shops, etc., at very low estimate..... | $400,000.00 |
| | St. Anthony and St. Anthony Junction..... | 15,000.00 |

| | | |
|---|---|---|
| Main Line | Minneapolis | 75,000.00 |
| | Townsites—Waverly 5/M, Dassel 5/M, Darwin 5/M, Howard Lake 5/M, Smith Lake 5/M, Cokato 5/M, Litchfield 30/M, Swede Grove 5/M, Atwater 5/M, Kandiyohi 5/M, Willmar 30/M, De Graff 10/M, Benson 30/M, Clontarf 5/M, Morris 20/M, Herman 5/M, Doran 5/M, Campbell 5/M, Tintah, 5/M, Breckenridge 10/M | 200,000.00 |
| | | $690,000.00 |

NET EARNINGS FIRST DIVISION COMPANY

| YEAR ENDING JUNE 30TH | MAIN LINE | BRANCH LINE | TOTAL |
|---|---|---|---|
| 1871 | $100,974.90 | $159,432.32 | $260,407.22 |
| 1872 | 9,227.55 | 103,518.13 | 112,745.68 |
| 1873 | 32,685.87 | 133,278.04 | 165,963.91 |
| 1874 | 77,038.84 | 139,036.78 | 216,075.62 |
| 1875 | 35,607.14 | 120,730.88 | 156,338.02 |
| 1876 | 220,324.43 | 143,965.71 | 364,290.14 |
| 1877 | 135,855.35 | 128,287.07 | 264,142.42 |

During the year ending June 30, 1877, the following material was purchased and work done and charged to operating expenses instead of Construction and Equipment:

| | | |
|---|---|---|
| 1,000 Tons Steel Rails laid | @ $60 | $60,000.00 |
| 1,150 " Reheated Iron Rails, laid, | " 45 | 51,750.00 |
| 170,000 New Ties | " 26 | 44,200.00 |
| New Bridges and Stone Culverts | | 14,500.00 |
| New Passenger Depot, Minneapolis | | 6,500.00 |
| 6 New Flat Cars | | 2,100.00 |
| Rebuilding 20 Box Cars | | 6,000.00 |
| " 4 Passenger Coaches | | 3,200.00 |
| | | $188,250.00 |

*St. Paul, Minn., September 6, 1877.*

## APPENDIX

LAND STATEMENT

| | BRANCH | | MAIN | |
|---|---|---|---|---|
| | ACRES | AMOUNT | ACRES | AMOUNT |
| No. of Acres sold up to Dec. 31, 1874.... | 44,208.97 | $271,592.96 | 49,352.79 | $694,750.95 |
| No. of Acres sold during year 1875.... | 2,386.80 | 14,213.78 | 52,243.10 | 498,134.12 |
| No. of Acres sold during year 1876.... | 11,726.45 | 59,900.00 | 225,316.78 | 1,470,238.08 |
| Total..... | 58,322.22 | $345,706.76 | 326,912.67 | $2,663,123.15 |

| | | | |
|---|---|---|---|
| Total No. of Acres in Grant: | Branch..... | | 425,756.00 |
| | Main..... | | 1,313,961.43 |
| | | | 1,739,717.43 |
| Less No. of Acres sold, up to date of December 31, 1876: | Branch..... | 58,322.22 | |
| | Main..... | 326,912.67 | 385,234.89 |
| No. of Acres unsold January 1, 1877 ..... | | | 1,354,482.54 |
| St. Vincent Lands | | | |
| No. of Acres received from State..... | | 750,000 | |
| " " " earned but not deeded..... | | 146,000 | 896,000.00 |
| No. of Acres to accrue | | | |
| End of track to St. Vincent..... | | 384,000 | |
| Melrose to Glyndon..... | | 652,800 | |
| Brainerd Line..... | | 358,400 | 1,395,200.00 |
| Total..... | | | 3,645,682.54 |

Average price per acre of lands sold to date, Branch ..... $5.92
" " " " " " " " " " Main..... 8.15

*St. Paul, Minn., September, 1877.*

B

STATEMENT OF BONDED INDEBTEDNESS

*Branch Line—Mortgages*

| | Original Amt. of Mortgage | Amt. Outstanding Dec. 1/76 |
|---|---|---|
| St. Paul to St. Anthony—Railway..... | $ 120,000 | $ 120,000 |
| " " " Sauk Rapids " ..... | 700,000 | 366,000 |
| " " " " " Real Estate.... | 1,200,000 | 1,058,250 |
| " " " " " Consolidated... | 2,800,000 | 1,112,000 |

*Main Line—Mortgages*

| | Original Amt. of Mortgage | Amt. Outstanding Dec. 1/76 |
|---|---|---|
| St. Anthony to Morris (150 Miles)..... | $ 1,500,000 | |
| Real Estate " " " ..... | 5,000,000 | $ 1,740,500 |
| " " Breckenridge..... | 6,000,000 | 5,336,000 |
| Extension Lines..... | 15,000,000 | 15,000,000 |

The 1,500,000 mortgage is held by the Trustees as Collateral Security to the 6,000,000 Bonds.

There is a subsequent mortgage of 1,000,000 St. Paul to Breckenridge on record, but the Bonds are in the hands of the Company having never been sold and consequently the amount is no claim against the property; if, however, they had been sold the 6,000,000—and 3,000,000 loans are both prior mortgages and would have to be paid in full principal and interest before anything would be due to the 1,000,000 mortgage.

The respective amounts of outstanding Bonds are held as follows:

| | | |
|---|---|---|
| 120,000 | outstanding | all held in U. S. |
| 366,000 | " | " " " " " |
| 1,058,250 | " | 697,250 in hands of Dutch Committee |
| 1,112,000 | " | 813,000 " " " " " " |
| 1,740,000 | " | 1,290,000 " " " " " " |
| 5,336,000 | " | 4,162,000 " " " " " " |
| 15,000,000 | " | 12,663,000 " " " " " " |

## APPENDIX

Of the five classes of bonds partly held by the Dutch Committee the balance of the bonds are scattered through France, Belgium, Holland, Germany and Austria, except about $200,000 of the 1,200,000 issue which are held in St. Paul.

The amount of outstanding bonds is given of date December 1, 1876, since which time a considerable amount of the 3,000,000 and 6,000,000 bonds have been retired for lands.

The 120,000 issue is a first mortgage on the Railroad from St. Paul to St. Anthony, the 366,000 outstanding is a second mortgage on Railroad from St. Paul to St. Anthony and first mortgage St. Anthony to Sauk Rapids on railroad only.

The 1,058,250 outstanding covers the railroad and lands to a distance of six miles each side of track St. Paul to Sauk Rapids subject to the 120,000 and 366,000 on the railroad—the 1,112,000 outstanding is a first mortgage on the lands outside of the six-mile limit on each side of the railroad and subsequent to the three foregoing mortgages on the property covered by them.

The 5,336,000 outstanding is by virtue of its owning the 1,500,000 mortgage a first mortgage on the railroad to the amount of $10,000 per mile for the first 150 miles west from St. Anthony and second on the lands, and the only mortgage on both lands and railroad west of the 150 Mile Post to Breckenridge.

The 1,740,500 outstanding is a first mortgage on the lands west of St. Anthony to 150 Mile Post and subject to the $10,000 per mile on the road.

Amount required to purchase bonds in the hands of Dutch Committee:

| CLASS | OUTSTANDING | PRICE | AMOUNT |
|---|---|---|---|
| 1,200,000 | 697,250 | 80 c. | $ 557,800 |
| 2,800,000 | 813,000 | 20 c. | 162,600 |
| 3,000,000 | 1,280,000 | 35 c. | 448,000 |
| 6,000,000 | 4,162,000 | 42½c. | 1,768,850 |
| 15,000,000 | 12,663,000 | 11 c. | 1,392,930 |
| | | Total..... | $4,330,180 |

| | | |
|---|---|---|
| Amount required to foreclose mortgages and pay balance of outstanding bonds not held by Dutch Committee. Estimate of our Attorney | | $300,000 |
| Amount required to complete and equip portions of railroad from Breckenridge to Glyndon and end of track to St. Vincent | | 910,000 |
| | | $1,210,000 |
| Add above amount. | | 4,330,180 |
| Total amount required to buy the property as it now stands, and complete the system as far as at present desirable | | $5,540,180 |
| After the purchase is made on the foregoing basis, and the Breckenridge to Glyndon and end of track to St. Vincent portions are completed and equipped, all in good condition for business the property will consist of: | | |
| 570 Miles track worth say 20/M | | 11,400,000 |
| Present equipment | $410,544.45 | |
| Added for new equipment | 100,000.00 | |
| Shops and Tools | 61,022.04 | |
| Material Supplies, etc | 228,152.48 | |
| Old Rails | 17,000.00 | 816,718 |
| | | $12,216,718 |
| Surplus property St. Paul & St. Anthony Junction not required for use of Company | $400,000.00 | |
| Townsites Main Line. Estimate | 200,000.00 | 600,000 |
| Land Grant 2,634,482 Acres of land lying for the most part in well-settled counties and of a quality much above the average of western land worth at least the U. S. Government minimum price for lands within the limit of railroad grant, $2.50 per Acre | | 6,586,205 |
| Total Valuation | | $19,402,923 |

In addition to the foregoing the Trustees for the Bonds have in their hands *Cash* $210,000 and we are informed by the present Manager of the property that of the above lands there are sold about 68,000 Acres,

upon which there is due secured by mortgage on the lands, and bearing interest at 7% per annum, $750,000.

The mortgages of the 1,200,000, 2,800,000, 3,000,000, and 6,000,000 issues have by reason of their failure to pay interest, been declared due, principal and interest, and the Trustees are now in possession.

Suits have been commenced and an order of Court for the sale of property may be had during the present fall; while on the other hand it may be delayed for a year longer; in the meantime the Trustees will hold the property as at present for the benefit of the Bondholders.

A majority of the outstanding bonds can at their pleasure change the Trustees, and it is the duty of the Trustees to use the revenue of the property solely for the benefit of the Bondholders in accordance, with the priority of the respective mortgages. (See Trust, Deed, etc.)

The net earnings of the property for the year ending July 1/77, as per statement, should read $452,392.42 for the reason that the sum $188,250 was paid on account of new rails, rolling stock, etc., and added to the value of the property that amount those portions of Minnesota and Manitoba which would be solely tributary to the parts of the line it is proposed to complete, it is difficult to estimate the increase of earnings from that source, however, we believe that $600,000 per year would be a low estimate and with fair average crops the net earnings would undoubtedly reach $700,000 or $800,000, which amount will increase from year to year as the country is settled up. Mr. Farley, the present Manager of the property, estimates the future earnings much higher than we do but we have endeavoured to make all of our figures on the safe side.

In making the calculations for amount necessary to finish and equip the unfinished portions as above we have intended to make use of all the rails, fish plates, spikes, ties, and other suitable material on hand, the property of the Company.

We have estimated the cost of cancelling outstanding bonds other than those held by the Dutch Committee in case of foreclosure upon the advice of our Attorney based upon similar foreclosures of other roads, with a liberal allowance for contingencies.

## APPENDIX FOUR

### MEMORANDUM PREPARED BY MR. HILL AS BASIS OF AGREEMENT WITH THE DUTCH BONDHOLDERS

In view of the impossibility of negotiating a loan for an amount sufficient to purchase the bonds which acceded to the terms of our letter of May 26, 1877, viz.:

| | |
|---|---|
| 1,200,000 issue | 625,000 at 75c. |
| 2,800,000 " | 708,000 " 28c. |
| 3,000,000 " | 907,000 " 30c. |
| 6,000,000 " | 3,400,000 " 35c, |
| 15,000,000 " | 11,200,000 " 13¾c. |

It is proposed to modify the terms of above letter of May 26th as follows (which may include all outstanding bonds of the foregoing issues, except the $15,000,000 issue, outside of the amount above named).

We propose to purchase the foregoing bonds at the prices above named, and pay for the same in the following manner, i. e.: To pay to the holders of said bonds, during the pendency of the suits to foreclose the mortgages securing the respective issues of bonds, interest on the amount of purchase money at the rate of 7 per cent. per annum, payable semi-annually, and to pay the principal of said purchase within six months after the completion of said foreclosure proceedings, by issuing and delivering to said bondholders bonds of the company to be organized upon the sale under said foreclosure and reorganization, bearing interest at the rate of 6 per cent.,

gold, payable semi-annually, for their respective holdings; and, in addition thereto, to issue and deliver, upon such reorganization being completed, 6 per cent. preferred stock to the respective bondholders assenting hereto, at the rate of $250 for each $1,000 bond of said new issue.

We further propose to pay the holders of the special stock the amount expended by them in building the Breckenridge-Barnes link, so called, and also to advance the necessary means to complete the Extension line from end of track north to Crookston to St. Vincent, and from Melrose to Alexandria, and also to obtain the exclusive connection with the Canada Pacific R. R. from St. Vincent to Winnipeg, it being understood, in this connection, that the Red River Transportation Company will so coöperate as to best serve the interests of this enterprise, if carried out as herein proposed.

The new issue of bonds and stock above named, to be issued after said foreclosures, shall cover, in addition to the purchase money for said bonds, the cost of purchase of said Breckenridge-Barnes link, and completing the extension lines as above mentioned, and such bonds and stock shall be issued in payment therefor; we to have the option, if we so prefer, to pay the purchase money of said bonds in cash, in lieu of said bonds and stock.

During the pendency of said foreclosure suits, and the reorganization of the new company, the bonds to be purchased as above provided shall be placed in the hands of J. S. Kennedy & Co., or such other trustees as may be selected, to be delivered upon a full compliance with the terms herein set forth, it being understood that such trustees shall, at the time of each semi-annual payment of interest upon the purchase money of said bonds, deliver to said purchasers one coupon from each bond held by them in trust.

The purchasers to have, from the date of acceptance hereof, full control and management of said foreclosure proceedings, and the same shall be prosecuted under their direction. And it is expressly agreed that the custody of said bonds shall not be changed during the pendency of this agreement, without the consent of said purchasers; and the purchasers shall be hereby empowered to repre-

sent and use said bonds for all purposes which they may deem necessary in the management of the foreclosure proceedings.

There shall be no special or preferred stock issued except what shall be required to carry out the foregoing arrangement.

If the above proposal is acceptable to bondholders, articles of agreement in accordance therewith shall be made and entered into as soon as may be.

# APPENDIX FIVE

## AGREEMENTS BETWEEN THE ASSOCIATES

### A

*Preliminary Form of Agreement of January 21, 1878*

*Whereas* the undersigned did, on the 5th day of January, 1878, at the city of New York, make an offer to the committee of Dutch bondholders in Holland to purchase their holding of the bonds of the St. Paul & Pacific Railroad Company and of the 1st Division of the St. Paul & Pacific Railroad Company, upon certain terms and conditions stated in said offer—the ultimate object in making said offer being to obtain possession of said railroads and all the property belonging thereto, with the intention of reorganizing said companies, after completing the pending foreclosures thereon as soon as practicable after the sales under said foreclosures, upon the basis of an issue of common stock of such reorganized company amounting to $5,000,000.00, a bonded indebtedness of not exceeding $12,000.00 per mile of finished road, and a 6 per cent. preferred stock not exceeding $8,000.00 per mile of finished road:

Now, in case our said offer of purchase shall be accepted by said Dutch Committee, and said purchase concluded, it is understood and hereby agreed between us that the interests acquired under said purchase and in said reorganized company, and the profits and losses accruing from said enterprise, shall be held and borne by us in the following proportions, viz.:

George Stephen, two-fifths (2-5)
Donald A. Smith, one-fifth (1-5)
Norman W. Kittson, one-fifth (1-5)
James J. Hill, one-fifth (1-5)

It being, however, understood and agreed that one-half of the said two-fifths so held by said George Stephen, as above, is

held by him for the purposes of securing the coöperation of an associate or associates in said enterprise, through whom the financial aid necessary to enable us to complete such purchase may be obtained, as understood between us in New York at the time of making our said offer of purchase.

It is expected that the said one-fifth interest so to be disposed of by said Stephen will be sufficient for the purpose of securing such associate or associates, and that, upon the completion of such purchase and the reorganization of said company, the interest of each of the undersigned in said enterprise, and in said new company, shall be an equal one-fifth interest therein, subject only to said bonded debt and said preferred stock.

Having full confidence in each other and in the success of said enterprise, we hereby mutually agree to become responsible for the repayment of all moneys required to be advanced to us in carrying out said purchase (if said offer be accepted), and to join in the execution of any papers or securities which may be required in obtaining such advances.

Witness our hands and seals this 21st day of January, 1878.

GEO. STEPHEN.
DON. A. SMITH. (SEAL.)
N. W. KITTSON. (SEAL.)
JAMES J. HILL. (SEAL.)

In presence of
R. B. Galusha,
as to Kittson & Hill,
also to Stephen & Smith.

## B

*Final Form of "Montreal" Agreement of March 27, 1878.*

*Whereas*, the undersigned have, under their agreement dated the 13th day of March, one thousand eight hundred and seventy-eight, executed by them in the city of New York, purchased of the committee of the Dutch bondholders in Holland the holding of the said Dutch Committee in the bonds of the St. Paul & Pacific Railroad Company, and in the First Division of the said St. Paul & Pacific

Railroad Company, and other property in said agreement named, the ultimate object in making said purchase being to obtain the possession and ownership of said railroads and all land grants and other property pertaining thereto, and of reorganizing said companies on completion of the foreclosures now pending in the courts in Minnesota, as soon as practicable after the sales can be made under said foreclosures, upon the basis of an issue of common stock of such reorganized company of five million dollars or any amount hereafter agreed upon, a bonded indebtedness not to exceed twelve thousand dollars per mile of finished road, and a 6 per cent. preferred stock not exceeding three thousand dollars per mile of finished road:

Now it is understood and agreed by and between the undersigned, for the purpose of carrying out the above object and of complying with the terms and conditions specified and contained in our said agreement with said Dutch Committee for the purchase of said bonds and other property, that the interests acquired in the properties purchased by us under said agreement with said Dutch Committee, and in the railroad company to be reorganized by us in pursuance of said agreement, and in the profits and losses which may accrue from said enterprise, shall be apportioned between us in the following proportions, viz., the said George Stephen, two fifths; Donald A. Smith, one fifth; Norman W. Kittson, one fifth; and James J. Hill, one fifth; it being, however, understood and agreed between us that one half of the said two fifths interest so set off to the said George Stephen as above shall be held by him for the purpose of securing the necessary means to carry out and complete our said agreement with said Dutch Committee, through the bringing in and securing the coöperation of an associate or associates, if necessary for that purpose, it being expected that said one fifth interest so to be disposed of by said George Stephen will be sufficient for the purpose of securing said moneys and the bringing in of such other associate or associates, if necessary, to fully carry out and complete our said agreement with said Dutch Committee according to its terms and conditions; and that upon the reorganization of said railroads, as provided in said agreement, the interest of each of the undersigned in said reorganized company

shall be equal, subject only to the prior liens of the bonded debt of said railroads, and the preferred stock named in said agreement, or to such amount thereof as shall be required to fully comply with all the terms and conditions of our said agreement with said committee, and to pay in full all moneys borrowed or advanced for payment of interest or debts incurred in completing said railroads and in fully carrying out our said enterprise.

And we further agree to become jointly and severally, and we do hereby become jointly and severally responsible for the payment of all moneys required to be advanced at any time in the prosecution of said enterprise, and for the full and entire performance of our agreement with said Dutch Committee according to its terms and conditions, and that we will jointly and severally execute and deliver all notes, bonds, or other securities which it may be necessary to execute from time to time, to procure any loans or advances required to be obtained in the prosecution and completion of said enterprise, it being understood that as between ourselves we are liable in equal shares.

It is further agreed by the parties hereto that in case of the death of either of said parties pending the reorganization of said railroad companies under said foreclosures, then the legal representatives of such party so dying shall be entitled to demand and receive of the surviving parties hereto all sums of money which such deceased party shall have advanced during the prosecution of this enterprise in aid thereof, including personal expenses, and for which he may not have been reimbursed, together with interest thereon at the rate of 12 per cent. per annum from the date at which such advances shall have been paid, a statement of which advances shall be furnished to said survivors; and said survivors shall have the option of paying to the legal representatives of such deceased party, as and for the value of his full and entire interest in and under this agreement, a further sum of seventy-five thousand dollars; and upon such payment being made to the legal representatives of said deceased party, all interest or claim of any and every kind, in and under this agreement or said agreement with said Dutch Committee, of such deceased party or his estate, shall be held and thereby be wholly discharged, satisfied, and determined; and

the representatives of said deceased party shall thereupon be entitled to demand and receive all securities of every kind which he may have pledged as collateral or otherwise in obtaining loans or advances; and all obligations of all kinds under said agreements from and after the death of said party shall be assumed and paid by the surviving parties hereto, and the estate of such deceased party shall thereupon be forever released and discharged from all obligations under said agreements, or upon any note, bond, or other obligation executed in carrying out the same for any purpose.

And it is further agreed between the parties hereto that if from any cause either of said parties shall desire to transfer or dispose of his interest in said enterprise, at any time before its final completion, he may do so: *provided, however*, that no such transfer or disposal of his said interest shall be made except by and with the express consent, first obtained, of all the other parties to this agreement, and then only to such person or persons as shall be acceptable to all the other parties hereto; *and further provided*, that the party so desiring to dispose of his said interest shall first offer the same to the other parties hereto jointly, at such price as he shall be actually offered in cash therefor; and should such joint purchase be declined, then such offer shall be made to each of the other parties hereto; and if severally declined by them, then such transfer or sale may be made to another person or persons, who shall, however, be acceptable to the other parties hereto.

It is also understood that the Red River Valley Railroad, upon payment of its actual cost (amounting to about twenty thousand dollars) to the parties entitled to receive payment therefor, shall, upon the reorganization of said railroad companies as specified in said agreement with said Dutch Committee, become a part of the property covered by and included in our said enterprise.

And in order that there shall be no conflict of interest between our said enterprise and the Red River Transportation Company, it is further understood and agreed that in so far as any of the parties hereto now hold or shall hereafter acquire any of the stock of said Red River Transportation Company, the said stock now held or so hereafter acquired by either of said parties shall be paid for and become and be the joint property of the parties hereto

is equal shares; and for this purpose the value of such stock now held by either party hereto shall be taken to be of the value of 40 per cent. of the par value thereof, and all such stock as shall be hereafter purchased shall, for the purposes hereof, be held and taken at its actual cost, and shall stand upon the same footing as is herein provided for all the advances made in this enterprise.

In witness, whereof, we have hereunto set our hands and seals this twenty-seventh day of March, one thousand eight hundred and seventy-eight.

GEO. STEPHEN (Seal)
DON. A. SMITH (Seal)
N. W. KITTSON (Seal)
JAS. J. HILL (Seal)

Signed sealed and delivered in presence of
Thos. W. Ritchie.
R. B. Galusha.
(Endorsed:)
Syndicate St. P. & P. Ry.
Montreal Agreement,
27 Mch., 1878.

# APPENDIX SIX

## AGREEMENT WITH DUTCH COMMITTEE FOR PURCHASE OF BONDS

THIS AGREEMENT, made and entered into this thirteenth day of March, A.D. eighteen hundred and seventy-eight, by and between GEORGE STEPHEN, DONALD A. SMITH, NORMAN W. KITTSON and JAMES J. HILL, parties of the first part, and CHEMET & WEETJEN, KERKHOVEN & CO., LIPPMANN, ROSENTHAL & CO., WURFBAIN & SON, TUTEIN, NOLTHENIUS & DE HAAN, of Amsterdam, H. C. VOORHOEVE & CO., of Rotterdam, and JOHAN CARP, of Utrecht, the Committee of the Dutch Bondholders of the SAINT PAUL AND PACIFIC RAILROAD COMPANY and of the FIRST DIVISION OF THE SAINT PAUL AND PACIFIC RAILROAD COMPANY, parties of the second part, WITNESSETH:

### ARTICLE I

That the said parties of the first part do hereby agree to and with said parties of the second part to purchase, and the said parties of the second part do hereby agree to sell to said parties of the first part, the following amounts of the bonds of said companies respectively, of the various issues now held by said parties of the second part, as such Committee, for the following prices, and upon the following terms, namely: Of the one million, two hundred thousand dollars ($1,200,000) Branch Line Issue, of the second of June, 1862, six hundred and twenty-five thousand dollars ($625,000) at seventy-five (75) per cent. of the par value of said bonds; of the two millions, eight hundred thousand dollars ($2,800,000) Branch Line Issue of October 1, 1865, seven hundred and sixty thousand dollars ($760,000) at twenty-eight (28) per cent. of the par value of said bonds; of the three million dollars ($3,000,000) Main Line

Issue of March 1, 1864, nine hundred and seven thousand dollars ($907,000) at thirty (30) per cent. of the par value of said bonds; of the six million dollars ($6,000,000) Main Line Issue of July 1, 1868, three million, five hundred and twenty thousand dollars ($3,520,000) at thirty-five (35) per cent. of the par value of said bonds; of the fifteen million dollars ($15,000,000) issue so-called Extension Mortgage of April 1, 1871, eleven million, four hundred thousand dollars ($11,400,000) at thirteen and three quarters (13¾) per cent. of the par value of said bonds. Said purchase prices to include all unpaid coupons belonging to said several classes of bonds, which shall pass with said bonds.

ARTICLE II

Said bonds of said various issues are to be placed in the hands of John S. Kennedy and John S. Barnes (composing the firm of J. S. Kennedy & Co., of the city of New York), as joint and several trustees named in this agreement, to be held by them as such trustees, and to be delivered by them to the parties of the first part, as such purchasers, upon payment of the purchase price thereof in cash, as hereinafter mentioned. But if said payment shall be made in bonds and stock, as hereinafter provided, said bonds shall be held and controlled by said Trustees, until such final payment is made, for the purposes and uses and for the furtherance and completion of this agreement, and for the purpose of completing the foreclosures herein contemplated.

ARTICLE III

Said purchase price is to be paid on or before the expiration of six months from the date of sale of the mortgaged premises described in the various mortgages securing said various issues of bonds, respectively, under the decree of foreclosure which shall be last obtained in the various suits now pending in the district court of the county of Ramsey, state of Minnesota, and in the circuit court of the United States of the district of Minnesota, for the foreclosure of said several mortgages.

ARTICLE IV

During the pendency of said foreclosure suits, and until the payment of the full contract price of the bonds purchased and sold under this agreement, the said parties of the first part shall pay to the said J. S. Kennedy & Co., agents for said Committee, at the city of New York, upon the (22d) twenty-second days of June and December, in each year, a sum in gold coin equal to the semi-annual interest upon the gross purchase price of said bonds, as specified to be paid in cash, computed at the rate of 7 per cent. per annum thereon, said interest to commence to accrue upon said purchase price from the twenty-second day of December, one thousand eight hundred and seventy-seven.

ARTICLE V

The principal of said purchase money is to be paid as hereinafter provided, either in gold or in first mortgage gold bonds of the company to be organized by said parties of the first part, under said foreclosure sales, pursuant to the laws of the state of Minnesota in such case made and provided. Said first mortgage gold bonds shall bear interest at the rate of 7 per cent. per annum, payable semi-annually in gold coin at the city of New York, or, at the option of the holder, in the city of London, at the rate of four shillings sterling to the dollar.

ARTICLE VI

Said bonds are to be received at par, except as hereinafter specially provided; and if such purchase price is paid in bonds at par as aforesaid, said parties of the first part further agree to cause to be issued and to be delivered to the said parties of the second part, or to their said agents, preferred full paid stock of said new company at the rate of two hundred and fifty dollars ($250) for each and every one thousand dollars ($1,000) bond of said new company delivered in payment of said purchase price, as a bonus; which preferred stock shall bear a dividend not exceeding six (6) per cent. per annum in currency; to be payable, however, only in case the earnings of said new company for each year shall be sufficient for that purpose, after payment of all proper expenses,

and interest on the bonds issued as herein provided; and said interest shall not be cumulative. *And it is expressly understood*, that no liens or incumbrances shall be placed upon the said reorganized road, except the mortgage hereinafter mentioned, at the rate of not exceeding twelve thousand dollars ($12,000) per mile of completed road. The total amount of said preferred stock shall be limited to twenty-five (25) per cent. of the total bond issue herein provided for.

ARTICLE VII

The option, as to the payment of the purchase price of said bonds in cash, or in bonds and stock as aforesaid, shall be as follows: In the first instance, said parties of the first part shall have the option of making such payment in cash, or in the bonds and stock of said reorganized company as aforesaid, at their election; provided, however, that if said parties of the first part shall elect to make such payment in cash, any holder of the certificates issued by the said Committee, parties of the second part, for bonds purchased under this agreement, shall have the option of demanding payment for the bonds for which he holds the receipt or certificate of said Committee, either in cash, or in said new bonds and preferred stock, at the rate above provided, at his election.

ARTICLE VIII

Any holder of the said Committee's receipts or certificates, for bonds purchased under this agreement, shall have the right to demand and receive the said new bonds at ninety (90) per cent. of their par value, in payment for the bonds for which he may hold the said certificate or receipt; but in the event of his electing to do so, he shall not be entitled to receive preferred stock as above provided. The options to the holders of the certificates of said Committee, as contained in this and the preceding articles, shall be exercised and declared by said Committee, acting for said certificate holders, within sixty days after written notice to said Committee, or to the said J. S. Kennedy & Co., from said parties of the first part, stating their election in regard to the form of payment, as above provided.

ARTICLE IX

Said parties of the first part further agree to build and complete the *Extension* line of said St. Paul and Pacific Railroad from its present terminus near Snake River to St. Vincent; the work thereon to be commenced as soon as practicable, and prosecuted with the utmost despatch, with a view to the completion of the said extension during the year 1878, if possible. In order to secure the completion of said extension, the said parties of the first part hereby agree to make and execute their joint and several personal bond, in the penalty of one hundred thousand dollars ($100,000) as liquidated damages, conditioned for the completion of said St. Vincent Extension within two years from the date of this contract.

ARTICLE X

It is further agreed that said parties of the first part shall pay to said J. S. Kennedy & Co., as the agents of said Committee, in gold coin, at the city of New York, the cost of the Red River and Manitoba Railroad (known as the Breckenridge-Barnes link), at the same time as is provided for the payment for the said bonds hereby agreed to be purchased (of which cost, in gold, satisfactory evidence is to be furnished to said parties of the first part), with interest thereon, at the rate of 7 per cent. per annum, up to December 22, 1877; which cost and interest is to be taken as the cost of said railroad on that day; and said parties of the first part hereby agree to pay the interest upon said last-mentioned amount, at the rate of seven (7) per cent. per annum, semi-annually in gold coin, on the twenty-second days of June and December of each year, to the said J. S. Kennedy & Co., agents of said Committee, at the city of New York, until the final payment therefor is made as aforesaid.

ARTICLE XI

The bonds and stock of said Red River and Manitoba Railroad Company are to be deposited with said J. S. Kennedy & Co., together with a proxy or proxies, in favour of said parties of the first part, and held by them as trustees under this agreement, pending

the fulfilment thereof. Said parties of the first part shall have the right of representing and voting on said stock, through said proxy or proxies, at all meetings of said company, and of using the same, so far as shall be necessary to the control, management, and operation by them of said Red River and Manitoba Railroad, and shall also be entitled to receive and expend all incomes derived therefrom, pending the final completion of this agreement.

### Article XII

Said parties of the first part having deposited, in the Bank of Montreal, in the city of New York, the sum of two hundred and eighty thousand dollars ($280,000) in gold coin of the United States as a guarantee and security for the fulfilment of the obligations on their part expressed in this contract (as appears by a certain letter addressed to J. S. Kennedy & Co., by said Bank, dated February 9, 1878), said amount shall be paid over, and the said Bank of Montreal is hereby directed and authorized to pay over the same, to the said J. S. Kennedy & Co., as agents for said Committee as aforesaid, without further or other order or directions from said parties of the first part, upon delivery to the said George Stephen (of the parties of the first part), at the Bank of Montreal in the city of New York, of this agreement duly executed by said party of the second part, together with a declaration in writing by John S. Kennedy and John S. Barnes, composing said firm of J. S. Kennedy & Co., in the form subjoined to this agreement, stating that they hold in their hands, as joint and several trustees named in said agreement, the bonds and stock purchased hereunder, upon the terms, conditions, and trusts herein expressed; and it is understood and agreed that this payment is received by said Committee in full satisfaction of all expenses, disbursements, and liabilities heretofore incurred by them in behalf of said Dutch Bondholders; it being the intent of the parties to this agreement that the purchasers of said bonds are not, in any manner, to be held in any further or other sum for any expenses or liabilities incurred by said Committee in behalf of the holders of said bonds, or of said Committee's certificates.

### ARTICLE XIII

Said parties of the first part further agree that in case they shall elect to pay for said purchase in bonds and stock as aforesaid, or in case any of said bondholders shall elect to receive payments in said bonds and stock as aforesaid, the issue of bonds proposed under this agreement upon the line of said railroads, as reorganized, shall not exceed twelve thousand dollars ($12,000) per mile of finished road.

### ARTICLE XIV

It is further understood that the six (6) pending foreclosure suits in the district court of the county of Ramsey, Minnesota, and in the circuit court of the United States for the district of Minnesota, in the names of Edmund Rice and others, Trustees; of Horace Thompson and others, Trustees; of Jacob S. Wetmore and others, Trustees; and of John S. Kennedy and others, plaintiffs; and the suit of the First Division of the Saint Paul and Pacific Railroad Company against Edmund Rice, Horace Thompson, John S. Kennedy, Jesse P. Farley and John S. Barnes, commenced in June, 1877, in the district court of Ramsey County, Minnesota—shall be controlled and conducted by the said parties of the second part, or their agents, in concert with and under the advice and instructions of the said parties of the first part, as purchasers of said bonds, free from all expense to said parties of the second part from and after the said 22d day of December, 1877: *provided*, that nothing shall be done to delay the prosecution of said suits to their final ending.

### ARTICLE XV

It is further understood that, in case the trustees now in possession of said First Division of the Saint Paul and Pacific Railroads shall hereafter make any division of the earnings of said railroads now in, or hereafter to come into, their hands, the share of such earnings belonging to the bonds so purchased by said parties of the first part, as aforesaid, shall be paid to them by said trustees, at the time of making such division.

ARTICLE XVI

It is further agreed that said parties of the first part shall have the right, at any time during the pendency of this agreement, to demand and receive from said John S. Kennedy and John S. Barnes, the trustees holding said bonds, such amounts thereof as they may call for, upon payment in cash to said J. S. Kennedy & Co., as agents of said Committee, of the purchase prices aforesaid for the bonds so withdrawn by them: *provided, however*, that such withdrawal shall not affect the option of the owner or owners of the certificates issued by said Committee, representing the bond or bonds so withdrawn, to the payment therefor in bonds and stock as above provided, and that the amounts of bonds remaining in the hands of said trustees pending said foreclosures shall not at any time be reduced by such withdrawal below sixty (60) per cent. of the total amount of the outstanding bonds of each respective issue, at the time of such withdrawal; and the bonds so withdrawn shall be retired by exchange for the lands of the companies, as provided in the several mortgages, and shall be withdrawn and used only for that purpose.

ARTICLE XVII

In case any bonds are withdrawn from the trust deposit, as hereinbefore provided, the cash paid in to said agents of said committee, in lieu of the bonds so withdrawn, shall be held by them until the final payments are made as herein provided; when said sum and its accumulations shall be paid over to the trustees to be named in the first mortgage of the new company herein provided to be organized, and said sum shall be held by said trustees as a sinking fund, to be applied to the payment of the bonds to be issued under said new mortgage, according to the terms thereof; which shall provide for the application of said trust fund to the purchase of said bonds at the lowest market price, or by lot, at a premium of 5 per cent. on the par thereof.

ARTICLE XVIII

It is further agreed that any mortgage which shall be executed upon said proposed reorganized railroads, and the bonds secured by

said mortgage (in case any of said bonds shall be used in carrying out this agreement), shall be satisfactory to said J. S. Kennedy & Co., and shall before execution be approved by them, as to substance and form, as to the trusts created, and as to the trustees appointed in and by said mortgage, and shall cover all the property of every kind belonging to said new company at the time of the execution thereof, including its land grants; and shall provide that said bonds shall be receivable at par in payment for the lands of said company.

ARTICLE XIX

It is further agreed, that in the event of the loss or destruction of any of said bonds by fire or shipwreck, during their transit from Europe to the city of New York, the said parties of the first part will accept, as proof of said loss a notarial certificate, in usual form, attested by an United States consul, setting forth the numbers of the bonds so shipped; the amounts thereof; and the numbers and amounts of the coupons thereto attached; together with satisfactory proof of the destruction by fire, or loss at sea, of any steamer upon which the same shall have been shipped; and, upon receipt of such certificate and proof of loss, will accept the bonds actually delivered under this contract, and will make the payments herein provided to be made, as though no such loss had occurred, and such lost bonds had actually been delivered: *provided*, that said committee shall indemnify the said parties of the first part against the production of said lost bonds at any time thereafter.

ARTICLE XX

It is further agreed that should it be necessary to produce any of the bonds deposited under this agreement, in court, for the purpose of proof in any of the foreclosure suits now pending in Minnesota, as above stated, or for any other purpose connected with the said suits, said bonds may be removed from the place of deposit hereinafter mentioned, by said trustees, or either of them, for such purposes; and if said bonds should be required to be used in the purchase of the railroads and properties covered by the mortgages securing said respective series of bonds, or any of the

same, or in completing any of the said foreclosures or the sales thereon, or for the purpose of carrying out this agreement in any manner, or of reorganising said railroad companies, or of issuing the new bonds contemplated by this agreement, the said trustees are hereby authorised, jointly or severally, to make any use of said bonds that may be necessary for said purposes; and to buy in said railroads and properties at any sale or sales thereof under the said foreclosures, or any of the same; and to use said bonds in making payments therefor; and shall thereupon take title to said railroads and properties in their own names or name, as such trustees, and hold the same until the delivery to them of the cash or the bonds and stock of said new company, as provided by this agreement; which delivery, being duly made or secured to be made, said trustees or trustee so holding title shall convey the said railroads and properties to the said newly-organised company.

### Article XXI

And it is further agreed that said trustees shall deposit said bonds and stock certificates, hereinbefore referred to, in the vaults of the Mercantile Safe Deposit Company of the city of New York, in their names as trustees jointly and severally; and there keep the same in iron safes, rented for that purpose, pending the full and final payment of the purchase price of said bonds and stock, as stipulated in this agreement; except in so far as may be necessary to remove or use the same, or any part thereof, as above provided.

### Article XXII

It is also understood that either party to this contract shall have the right at any time, to verify the amounts of bonds so deposited, by counting and examining the same in the presence of either of the said trustees, under such rules and regulations as shall be made by said trustees for the safe keeping thereof.

### Article XXIII

It is further agreed that in case of any failure on the part of said parties of the first part to pay the full amounts of said semi-annual interest, at the times and in the manner aforesaid, and of the con-

tinuance of such default for thirty days thereafter, or in case of the failure of said parties of the first part to make the final payment of the purchase price of the said bonds and stocks, as hereinbefore stipulated, within six months after the sale under the decree last obtained in said foreclosure suits as hereinbefore provided, any and all sums of money which shall have been paid by said parties of the first part under this contract, including said sum of two hundred and eighty thousand dollars ($280,000) and all payments made on account of interest as herein provided, shall be forfeited to said parties of the second part; and thereupon said trustees shall immediately return and restore to said parties of the second part the ownership, possession, and control of the bonds and stocks deposited with said trustees under this agreement; and all rights which said parties of the first part may have acquired under this agreement shall absolutely cease and determine, and the bonds and stock deposited with said trustees under this agreement shall be held by them solely for the benefit of said party of the second part, and subject to their exclusive orders, disposition, and control.

### Article XXIV

It is further agreed that all expenses in the said foreclosures and other suits, incurred since the 22d day of December, 1877, and all expenses connected with the custody of said bonds and attending the making and full execution of this agreement and said trust, (including the proper remuneration of said trustees), shall be borne by said parties of the first part.

### Article XXV

It is further agreed that while this agreement shall remain uncompleted in any respect, in case any vacancy shall occur in the office of either of the trustees named in this agreement, or any successor in the trust hereby created, by death, resignation, or otherwise, the vacancy so arising shall be filled by the appointment of some suitable and competent person to be selected and appointed for that purpose by the surviving or remaining trustee.

### Article XXVI

It is further agreed that until a dividend of six (6) per cent. shall have been paid upon the preferred stock, for any one year, the said parties of the second part, as such committee, shall have the right to nominate two (2) directors in the new company which may be hereafter organized by said parties of the first part, at the time of such organization after foreclosure of said trust deeds, and at each election for directors thereafter; such persons so nominated to be acceptable to said parties of the first part; at least two (2) months' notice shall be given of, and prior to, any election for directors; and thereupon the said Committee may name the persons selected by them to said parties of the first part; who, having accepted the said nomination, shall elect the parties so named, at the same time and place as other members of the board of directors.

### Article XXVII

And it is further agreed by the said parties of the first part that they will proceed to, and duly organize the said new company hereinbefore referred to, within six months from the date of the sale under the decree last obtained in the said several foreclosure suits hereinbefore referred to; and so that the said bonds and stock herein provided to be used in making the payments under this agreement shall be duly executed and ready for delivery on or before the termination of said period of six months above specified.

In Witness Whereof the said parties have hereunto set their hands and seals the day and year first above written.

*Signed, sealed, and delivered* in the presence of

As to George Stephen and Donald A. Smith — R. B. Angus. Geo. Stephen (Seal)

Lenox Smith. Don. A. Smith (Seal)

As to Norman W. Kittson and James J. Hill — Lenox Smith. Norman W. Kittson (Seal)

Edw. T. Nichols, Jr.

By R. B. Galusha, his Atty. in fact.

| | |
|---|---|
| JAMES J. HILL | (Seal) |
| CHEMET & WEETJEN | (Seal) |
| KERKHOVEN & CO. | (Seal) |
| LIPPMANN, ROSENTHAL & CO. | (Seal) |
| LEO LIPPMANN, GEO. ROSENTHAL. | |
| WURFBAIN & SON | (Seal) |
| TUTEIN NOLTHENIUS & DE HAAN | (Seal) |
| H. C. VOORHOEVE & CO. | (Seal) |
| J. CARP | (Seal) |

WE, JOHN S. KENNEDY and JOHN S. BARNES, composing the firm of J. S. Kennedy & Co., of the city of New York, being the parties named as trustees in the foregoing agreement, *do hereby* jointly and severally accept the trusts therein created, and do acknowledge to have received from the said parties of the second part to said agreement, the bonds mentioned in said agreement, to the amounts, of the numbers, and with the coupons thereto attached, particularly specified and stated in the schedule hereto attached marked A. B. C. D. & E.

Also the stock of the Red River and Manitoba Railroad Company, mentioned in said agreement (called the Breckenridge and Barnes link) with the proxies thereto attached, as per memorandum hereto subjoined.

*To have and to hold* the same upon the trusts, and with the powers in said agreement particularly set forth.

JOHN S. KENNEDY.
JOHN S. BARNES.

The word "*first*" in seventh line erased, and the word "*second*" interlined, before signing.

## APPENDIX SEVEN

### COMPARATIVE SHOWING OF ST. PAUL & PACIFIC AND ST. PAUL, MINNEAPOLIS & MANITOBA

Report of St. Paul & Pacific Main Line for year ending June 30, 1878:

| | |
|---|---|
| Gross earnings | $595,286.54 |
| Operating expenses | 359,217.45 |
| Net earnings | 236,069.09 |
| Payments other than operating expenses | 244,875.64 |

These last included $143,793 for equipment, $20,625 for construction, and $53,160 for interest on bonds.

Report of St. Paul & Pacific Branch Line for year ending June 30, 1878:

| | |
|---|---|
| Gross earnings | $351,395.57 |
| Operating expenses | 167,832.21 |
| Net earnings | 183,563.36 |
| Payments in addition | 90,897.15 |

Report of St. Paul & Pacific Line St. Cloud to Melrose, year ending June 30, 1878:

| | |
|---|---|
| Gross earnings | $36,433.72 |
| Operating expenses | 28,394.70 |
| Net earnings | 8,039.02 |

First report of the St. Paul, Minneapolis & Manitoba Company to the Railroad Commission of Minnesota, for year ending June 30, 1880:

| | |
|---|---|
| Gross earnings | $2,933,108.24 |
| Operating expenses | 1,300,512.00 |
| Net earnings | 1,632,595.42 |

Other payments: Construction, $226,097; reorganization expenses, $47,865; additional real estate, $131,088; taxes $86,560; interest on bonds, $947,227.

## APPENDIX

Land statement:

| | ACRES |
|---|---|
| Received of grant | 2,296,802 |
| Yet to inure | 1,551,198 |
| Obtained from old organization by purchase of road | 1,477,569 |
| Sold and contracted year ending June 30, 1880 | 268,741 |
| Sold and contracted all years to June 30, 1880 | 739,737 |
| Receipts for year | $ 306,864 |
| Receipts for lands, all years | 4,784,959 |

## APPENDIX EIGHT

### COMPARATIVE SHOWING BY SYSTEMS

| | St.P.M. & M. June 30, 1883 | C. & N. W. May 31, 1883 | C.M. & St.P. Dec. 31, 1882 | C.R.I. & P. Apr. 1, 1883 |
|---|---|---|---|---|
| Av. Miles Operated | 1,203 | 3,464 | 4,296 | 1,381 |
| Gross Earnings, Per Mile..... | $7,604.75 | $6,950.63 | $4,745.51 | $8,826.87 |
| Operating Expenses, Per Mile..... | 3,610.13 | 4,061.69 | 2,836.61 | 5,148.31 |
| Net Earnings, Per Mile..... | 3,994.62 | 2,888.94 | 1,908.90 | 3,678.56 |
| To Capital Stock Ratio Net Earnings..... | 24.03 | 25.55 | 18.49 | 12.11 |
| Fixed Charges, Per Mile..... | $1,050.94 | $1,311.56 | $1,303.21 | $796.52 |

## APPENDIX NINE

### GROWTH OF SYSTEM IN TWENTY-FIVE YEARS

| | 1882 | 1907 |
|---|---|---|
| Gross Earnings | | |
| Passenger | $1,587,180 | $10,605,597 |
| Freight | 4,773,005 | 41,270,191 |
| Total | 6,629,694 | 55,144,402 |
| Operating Expenses | 3,320,776 | 32,562,775 |
| Net Earnings | 3,308,917 | 22,581,626 |
| Taxes | 195,001 | 2,050,923 |
| Operating Expenses per cent. of Gross Earnings (In 1906....50.42) | 50.08 | 59.05 |
| Gross Earnings Per Mile | $7,159 | $9,217 |
| Operating Expenses per Mile | 3,586 | 5,443 |
| Net Earnings Per Mile | 3,573 | 3,774 |
| Total Miles of Road Operated (All in Minnesota and Dakota; Including Lines Operated Independently) | 1,057 | 6,498 |
| Total Miles of Single Track (All in Minnesota and Dakota; Including Lines Operated Independently) | 1,191 | 8,141 |
| Locomotives | 137 | 943 |
| Passenger Equipment Cars | 121 | 668 |
| Freight " " | 3,787 | 40,043 |
| Bonded Debt | $18,646,000 | $99,904,939 |
| Capital Stock | 15,000,000 | 149,915,500 |

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